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NEWS SUMMARY

GENERAL

Vietnam forces end Thai attack

Vietnamese forces attacked Thai border villages and shot down two aircraft before withdrawing into Kampuchea, Thailand said yesterday.

The news came as South-east Asia's non-Communist nations pledged solidarity against Vietnamese-led attacks on Kampuchean refugee camps along the Thai border.

The Association of Southeast Asian Nations could harden its stand on the Kampuchean crisis at a conference in Kuala Lumpur today.

In Washington, the State Department voiced concern over the raid into Thailand and said it may step up arms sale to Bangkok under easy credit terms. Page 3

Carter pledge

President Carter has assured Yugoslavia's new collective leadership full support for their independent policies when he paid a 24-hour visit to Belgrade. Page 2

Begin threatened

Israeli Premier Menachem Begin's coalition could face an Opposition no-confidence motion today as another three of his supporters in the Knesset threatened to quit. Page 3

Spain 'bombs'

Basque guerrillas said they would start a bombing campaign today in the Spanish coastal province of Alicante unless 18 detainees were freed.

Iran rebels die

Fifteen alleged rebels were executed in Khoy, western Azerbaijan, after an Iranian revolutionary court found them guilty of murdering the town's governor.

Observer hitch

Crucial talks on new technology at the Observer newspaper have been stalled over payments to print craftsmen as a July 1 settlement deadline neared. Page 9

Gandhi funeral

More than 100,000 mourners in New Delhi attended the cremation of Sanjay Gandhi, the son of Premier Indira Gandhi, who died in an air crash on Monday.

BBC spy charge

A Soviet newspaper has alleged that the BBC included spy codes in its external services broadcasts to tip off British agents.

Prophet and loss

Export of Bibles from Britain has dropped by almost 50 per cent between 1972 and 1979, says a report. School textbook exports rose by 25 per cent.

Briefly . . .

EEC Transport Ministers have endorsed a draft directive for Community-wide driving licences by January, 1986.

Spanish Socialist Party has threatened a clash with the Government over plans for NATO membership. Page 2

Portugal's national Olympic committee announced an 11-strong team for the Games in defiance of the Government.

At least 20 people were arrested in Grenada in connection with a bomb blast which killed two people during a Government rally.

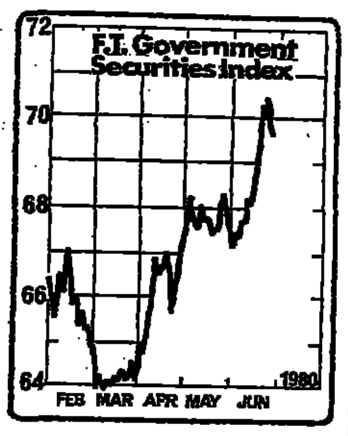
Second Test at Lord's was abandoned because of rain: England 269 and 133-2, West Indies 518.

Swarms of mosquitoes have stopped play at a golf club at Gaellivare, Sweden.

BUSINESS

Gilts fall 0.40; Equities off 7.1

● GILTS market became nervous on news that Wedd and Owen, the jobbing firm, had stopped trading. The Government Securities index dropped 0.40 to 69.65. Page 36



● EQUITIES were also unsettled by the closure news, and the FT 30-share index fell 7.1 to 462.7. Page 36

● GOLD rose $8 on late London demand to close at $604.5. Page 29

● STERLING fell 60 points on continued fears of an MLR cut, closing at $2.3360. Its trade-weighted index was 73.7 (73.8). DOLLAR closed at DM 1.7690 (DM 1.7670) and its index was 83.4 (83.3). Page 29

● WALL STREET was 2.90 up at 876.71 near the close. Page 35

● WEDD AND OWEN, the specialist gilts jobber, blamed its decision to stop trading on increasing costs, the high cost of money and the volatility of the market. Back Page

● CHASE MANHATTAN executive vice-pesident Barry Sullivan, 49, was appointed chairman and chief executive officer of First National Bank of Chicago.

● SCANDINAVIAN Bank's chief executive and managing director, Staffan Gadd, resigned, apparently because of policy differences with shareholders.

● WEST GERMAN Capital Markets sub-committee agreed on a DM 900m issue calendar of foreign D-mark bonds, the largest for six months. The figure could top DM 1bn. Page 26

● UK INSURANCE companies record underwriting loss last year of £215.7m is expected to intensify pressure for big premium rate rises. Back and Page 8

● LIBYA is expected to raise the price of its premium crude oil by 28 cents a barrel to $37 from next Tuesday. Back Page; UK onshore exploration licences, Page 8

● BP began preliminary talks in London with a Chinese delegation on a possible offshore oil exploration deal. Page 4

COMPANIES

● FORD-WERKE, the West German subsidiary of Ford, recorded an 18 per cent drop in sales in the first four months of the year, and fears a shift to smaller cars will hit 1980 profits. Back Page

● THORN EMI said the proposals for passing over the troubled medical scanner business to General Electric would be modified in the light of the U.S. Justice Department's objections. Page 24

● WILKINSON MATCH, the consumer products, fire equipment and packaging group, announced pre-tax profits for the year down £4.93m at £14.07m on turnover of £266.21m (£271.69m). Page 22 and Lex, Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:		
Giltspur	65	+ 4
Nichols (Vimto)	376	+ 15
Rolls-Royce	57	+ 3
ERGO	364	+ 32
Esperanza	193	+ 28
Goldfields of S.A.	£30	+ 1
Greenvale Mining	155	+ 33
Trans. Cons. Land	£17¼	+ ¼
Utah Mining Aust.	260	+ 10
FALLS:		
Treas. 12¼% 1993	£92⅞	− ¾
Exchqr. 12¼% 1999	£94	− ⅞
Assoc. Communctns.	92	− 6
BAT Inds.	268	− 10
Bambers	44	− 5
Boots	311	− 5
Cawoods	196	− 8
Clive Discount	46	− 2

Ferranti	542	− 11
Fisons	260	− 5
Grattan Warehouses	68	− 4
Hambros	487	− 16
ICI	378	− 4
Lloyds Bank	322	− 6
Marks & Spencer	91	− 3
Midland Bank	363	− 7
Standard Fireworks	90	− 8
Tecalemit	75	− 5
Thorn EMI	276	− 18
Trident TV A	52	− 3
Trusthouse Forte	190	− 5
UDS	68	− 4
Vaux	157	− 5
Whitbread A	158	− 6
Whitecroft	70	− 6
Wilkinson Match	113	− 9
LASMO	693	− 15
Ultramar	370	− 12
North West Mining	73	− 5
Silvermines	145	− 7

Unemployment climbs to post-war peak of 1.53m

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

ADULT UNEMPLOYMENT has jumped by 50,700 on a seasonally-adjusted basis in the last month as industry has responded to falling orders and a squeeze on liquidity by making more workers redundant and by cutting back on new recruitment.

The rise in the number of adults out of work in the UK in the month to mid-June is the sharpest monthly increase since October, 1975. This has taken the seasonally-adjusted total up to a post-war peak of 1.53m, which is equivalent to 6.3 per cent of the workforce.

This represents an increase of 272,600, or 21½ per cent, since the total started to rise last September.

The number of school leavers out of work also increased sharply—by 137,500 to nearly 187,000 — boosting the unadjusted total by 150,500 to 1.66m.

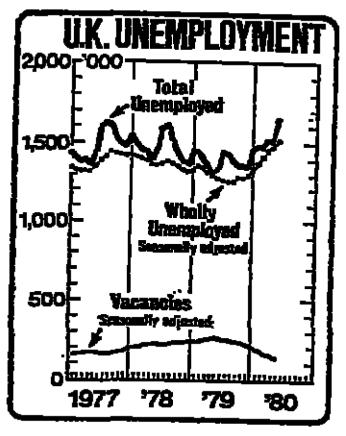
This most dramatic illustration so far of the deepening recession caused a major political row in the Commons. It was clear from comments there and earlier by Mr. John Biffen, the Chief Secretary to the Treasury, that the Government now intends to stress the connection between rising unemployment and high wage settlements in an attempt to influence pay claims over the next year.

Mr. Biffen said: "If wage settlements in the coming round were conducted at levels approximate to the increase in the money supply there would not be a collision between the statistics of tight money and high pay settlements."

The sharp rise in unemployment in the last months underlines the marked downturn in demand and economic activity which started a couple of months ago. There is increasing evidence from around the country that companies have reacted by closing down plants and by not replacing workers.

There has been a particularly sharp rise in redundancies. The total notified to the Department of Employment between January and May is estimated at 150,000, more than double the figure of a year before. Nearly a third are in the clothing, motor vehicles, construction, iron and steel and other metal goods industries.

The decline in new job opportunities has also been reflected in a decline for the twelfth month running in vacancies notified to the department. The seasonally-adjusted total—covering about a third of all vacancies in the economy—fell in the month to mid-June by 16,300 to 146,000 to take the decline to 112,100 in the last year.



Nevertheless, in spite of the overall decline in the level of activity in the labour market, an average of nearly 200,000 vacancies are being registered at department offices during the course of each month. Similarly, over 380,000 people are leaving the unemployment register during each month.

The unemployment total would be much higher but for the Government's special job assistance measures which in May kept 189,000 people off the register.

There have been marked regional variations. The sharpest rises since last September have been in areas with a particularly heavy concentration of manufacturing industry. In the West Midlands, for example, the total has risen by nearly 29 per cent, while in South-East England the rise has been just under 20 per cent.

Editorial comment Page 20 ● Misleading aspects of the figures Page 7

BL seeks union promises on unofficial stoppages

BY PHILIP BASSETT, LABOUR STAFF

BL IS seeking a new commitment from its workforce requiring unions actively to prevent employees from taking either unofficial or sympathetic industrial action.

The company's proposals are spelled out in a confidential memorandum of agreement defining the new framework for its relations with its trade unions. The memorandum is to take effect after the company's withdrawal from the Engineering Employers' Federation next month.

The document was presented this week to leaders of the Confederation of Shipbuilding and Engineering Unions by senior members of BL's management at a special meeting at the confederation's annual conference in Llandudno.

Union officials have been expecting some form of guideline from the company to take the place of the national EEF agreement, and initial union reaction, though cool, has not been completely unfavourable.

But some of the draft agreement's proposals could prove contentious, particularly at shop-floor level.

The company stresses in the document its right to manage, though it says that BL's companies "in managing their activities will take into account the interests of employees."

In return the unions should "take active steps wherever necessary to maintain constitutional trade unionism among employees and to prevent unconstitutional trade unionism from damaging the employing companies."

The proposal for dealing with unofficial action is at present no more specific than that.

Sympathetic action in support of workers still covered by the EEF national agreement would also be ruled out for BL employees who were subject to the new in-house agreement. The document states that employees "shall not take part in strikes or other forms of industrial action in support of any claim or dispute" between the CSEU unions and other employers.

The document has upset some union leaders on pay because it refuses to commit the company to present EEF minimum rates. It also states that the EEF agreement on hours reached at the end of last year's engineering industry dispute which prohibits further negotiation on reducing working time until after October 1983 should be binding even after its EEF withdrawal.

BL's wish to withdraw from the EEF was heightened by last year's engineering dispute, in which it alone among major UK motor manufacturers was hit by the series of strikes.

● A strike over tea-breaks and relaxation time halted Mini and Allegro production at Longbridge, Birmingham, yesterday with 1,500 workers laid off. BL said that 500 painters had walked out in protest at the introduction of standard tea-breaks and more flexible working practices.

£21.3m Ferranti rights issue

BY GUY DE JONQUIERES

FERRANTI, the defence electronics company, yesterday announced plans to make a one-for-one rights issue intended to raise £21.3m to finance its investment programme.

The move may complicate plans by the National Enterprise Board to dispose soon of its 50 per cent interest in Ferranti. The company has expressed concern that the holding may be sold off as a block to the highest bidder, diminishing its independence.

The NEB, which has approved the planned offer, has been authorised by the Government to take up the appropriate portion of the new shares itself or to find another subscriber if it has not made arrangements to sell its interest in Ferranti by August 15, the last day for acceptance of the issue.

The rights issue, which will not be underwritten, will be priced at 100p per share. This represents a deep discount on the market price of Ferranti's ordinary shares, which closed yesterday at 542p, down 11p.

The NEB will therefore have to inject a further £10.7m into the company if it takes up its shares of the rights issue. The NEB which is still discussing how to dispose of its existing shares declined to commen yesterday on Ferranti's decision.

Ferranti also said yesterday that its pre-tax trading profit durin gthe year ended March 31 rose to £11.2m from £9.9m in the previous financail year. Turnover grew to £214.6m from £192.1m.

A strike at its Scottish factories had cut profits by £2m.

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Labour uproar over figures

BY PHILIP RAWSTORNE

A FURIOUS political row erupted in the Commons yesterday over the record unemployment figures.

Mr. Dennis Skinner, Left-wing Labour MP for Bolsover, was expelled from the Chamber after a series of noisy clashes with Mr. James Prior, Secretary for Employment.

Mr. James Callaghan, in a scathing attack on Government policies, told Mrs. Margaret Thatcher that they were "not going to be tolerated in this country." He asked: "How much industry will be left by the time you think you have conquered inflation?"

Mr. Callaghan went on to condemn the Venice summit's overriding priority for fiscal and monetary restraint as "a recipe for recession and slump."

The Prime Minister, under almost constant attack for 75 minutes, told MPs that higher unemployment was the short-term price that had to be paid if inflation was to be squeezed out of the economy.

"You were ready to take harsh decisions under the aegis of the IMF," she snapped at Mr. Callaghan. "We are ready to take harsh and difficult decisions to prevent the IMF coming in."

Amid Labour jeers, she added: "I believe these policies will work but they must be given time to work and total support."

Mr. Callaghan, loudly cheered by his backbenchers, accused the Prime Minister of complacency.

He challenged her to give some indication of her time-scale for reducing inflation and unemployment.

Mrs. Thatcher retorted that it would depend on the co-operation the Government was given in reducing wage settlements.

Uproar had earlier engulfed Mr. Prior as he appeared to answer employment questions.

Mr. George Thomas, the Speaker, after repeated warnings to the protesting Mr. Skinner, finally ordered him to leave the Chamber. Mr. Skinner, dubbed Mr. Prior "Secretary for Unemployment" and continued to protest. But he stalked out as the Speaker summoned the Serjeant-at-Arms, to escort him from the House.

Parliament Page 10

£ in New York

—	June 23	Previous
Spot	$2.3420-3430	$2.3325-3340
1 month	1.64-1.58 dis	1.70-1.62 dis.
3 months	4.48-4.42 dis	4.39-4.29 dis.
12 months	9.90-9.70 dis	9.70-9.55 dis.

Andrew Whitley, recently in Tehran, reports that 20 months of political turmoil have crippled manufacturing industry. Operating at only 15 per cent capacity, output ranges from 60 per cent to virtually nil, and non-oil exports have halted.

Iran—failed 'powerhouse'

IRAN'S manufacturing industry is operating at no more than 15 per cent capacity, and faces the likelihood of widespread closures if ever it is restored to normal, commercial working.

Output varies from about 60 per cent of pre-revolution levels in sectors such as pharmaceuticals to virtually nil in those suchm as machine-made carpets and consumer durables. No single manufacturing sector is profitable, primarily because of the huge rise in costs.

Nearly all of what the Shah once envisaged as becoming the "economic powerhouse" of Western Asia is in Government hands. The takeover was prompted by the desire to save jobs, but has not attempted anything more significant.

A top central bank official confirmed this week that Iran's former non-oil exports, ranging from carpets to refrigerators, which ought to form the basis of economic independence, have dried up entirely.

The chief problems encountered by industries suffering from 20 months of political turmoil are: high wages, a politicised and disgruntled workforce, acute shortage of working capital and obtaining raw material

Perhaps as much as £8.5bn was invested in manufacturing industry during the Shah's rule, two thirds in the private sector. More than 200 joint venture companies were set up with foreign partners. Much of this investment may now be worthless.

This deep malaise has long-term consequences for the West. Iran used to be its most important Middle East market. Western exports to Iran made a modest recovery in the first four months of this year, but foreign investment and credit is, for all practical purposes, non-existent.

Major manufacturing sectors, in particular vehicle assembly plants, complain of greater difficulties in obtaining parts and materials from local suppliers than from abroad, despite the economic sanctions by the West and Japan.

Daily production of cars at Iran National, the largest industrial unit outside the oil sector, has dropped in recent weeks from 380 to 300 a day, because of internal problems. Yet demand for the ubiquitous Peykan remains such that one would have had to have ordered and paid for a car before the February, 1979, revolution to take delivery now.

The Alborz industrial estate, the new township outside Qazvin, about 90 miles west of Tehran, exemplified the Shah's great hope of building a non-oil economy. Only 14 of 125 factories are operating and only one of those, a chocolate producer, is working more than one shift.

A recent visit to the sprawling complex of the estate revealed idle production workers clocking in at 8 am and leaving in the early afternoon, agitating for overtime payments they had not earned. Left-wing activists at Alborz are small in number, but influential in fermenting discontent.

At Rasht, on the Caspian coast, an excited crowd reminiscent of a hot gospel meeting turned out to be a group of small contractors besieging a Government building for a distribution of precious cement ration cards. The difficulty every building contractor and industrialist faces in obtaining cement acts as a powerful constraint on activity.

Workers with no work to do agitate for overtime payments

One manufacturer said he was having to pay six times the official fixed price to obtain imported cement. One of the largest cement plants — at Ab Yek just down the road—was working only two days a week.

A more direct factor paralysing work is the activities of the Mustazafin Foundation. This "foundation for the deprived" was set up by the revolutionary authorities to spread the benefits of Iran's former wealth to the lowest classes. It acts as an executive arm of the Government in many nationalised companies and is trying to extend its control over factories still in private hands.

"If they insist on taking a majority share, I will simply shut the factory down," said Mr. Shaida Mouussavi, managing director and co-founder of Intermarbiran, a small company working decorative stone. His partner fled last year and his 43 per cent share has been taken over by the Foundation.

EUROPEAN NEWS

MUNICH INSTITUTE URGES BUNDESBANK TO LOWER INTEREST RATES

W. German downturn could be brief

BY JONATHAN CARR IN MUNICH

WEST GERMANY could be through the worst of its economic downturn in about a year, provided the *Bundesbank* gradually relaxes its current policies and the state does not restrict the growth of its spending too closely.

This view was given yesterday by Dr. Karl Oppenlaender, head of the *IFO* economic research institute of Munich, at its annual meeting.

Dr. Oppenlaender said that economic development in the first quarter was buoyant but many signs now pointed to slower domestic growth. These included the recent setback to *consumer demand caused in* particular by the rise in oil prices, sharply increasing costs for home-building and financing, and poorer export prospects.

IFO believed that the economic downturn this time *would be less severe than that* after the first oil-price shock of 1973-74, not least because investment in energy saving and oil substitution was likely to remain relatively strong.

Not only should the Bundesbank now drop *its high interest* rate but the state should also *look* again at its plans to allow expenditure to grow by only a maximum 4 per cent next year. While the long-term battle against both inflation and an increasing state deficit remained important, a highly *restrictive policy now* might prolong the economic downturn, Dr. Oppenlaender said.

The central bank has so far kept key interest rates high, not least to attract *funds from* abroad and help finance a *current account deficit which is* expected to be more than DM 20bn this year.

This interest rate policy has been tolerable at home because economic growth has been strong and inflation has been widely seen *as the great danger*. But with an economic downturn setting in, the Bundesbank may now be torn between keeping interest rates high to attract foreign capital and reducing them to help avert the danger of recession.

Coalition at odds over workers' control

BY ROGER BOYES IN BONN

WEST GERMANY'S ruling coalition parties are sharply at odds over whether to tighten legislation on workers' role in industrial decision-making.

The Social Democrats (SPD) are worried that more and more companies will try to escape from a *1951 law which* establishes a strict parity between workers and shareholders' representatives on the supervisory boards of coal and *steel concerns.*

In dispute is the Mannesmann Steel engineering concern which intends to merge its pipes and steel division. Under the 1950s legislation this would free it from the need to fall in with the strict party rules, though *it would become liable* to the more flexible 1976 law on co-determination.

Both the SPD and the unions want to block the Mannesmann move with a special *Bill* that would keep intact the rules for coal and steel companies. The Free Democrats, however, are determined that Mannesmann *should* be allowed to go ahead. Herr Hans - Dietrich Genscher, the FDP chairman and Foreign Minister, stressed yesterday that the new 1976 *rules were quite adequate for* the needs of a company like Mannesmann where steel pro*duction now played a relatively* minor role in its business.

The 1951 legislation provides for voting parity between workers' andshareholders' repre*sentatives with the casting vote* going to a neutral delegate chosen by both sides. However, under the 1976 law — which applies to all companies with *more than 2,000 workers and* not just coal and steel concerns—the chairman, chosen by the shareholders, has a casting vote.

Many steel companies naturally favour the more recent Act as they believe it would give them more managerial flexibility. The supervisory board has to approve take-over moves as well as major redundancy plans.

The dispute between the two parties has been simmering for years. The 1976 law was only passed in its present form be*cause of pressure from the Free* Democrats. The SPD has consistently sought legislation to give unions a bigger say in the running of companies.

Call to stimulate French economy

BY TERRY DODSWORTH IN PARIS

FRANCE'S influential Economic and Social Council has come out strongly against some of the restrictive elements in the *Government's current economic* policies and called for a wide-ranging stimulation of the economy.

The recommendations of the Council, an advisory body whose membership includes representatives from both industry and the trade unions, come shortly after indications that the Government is planning reflationary measures later in the year.

But the Council is urging a more comprehensive reflationary policy. This, it believes, should be spread over the whole of the next 12 months, following what it calls a "brutal" decline in *household consumption, a stag*nation in production, and a disquieting rise in stock levels.

Among the more controversial points made by the Council is a recommendation for an increase in the budget deficit and a relaxation of credit which the Government has recently tightened.

These proposals conflict to *some extent* with the Government's efforts to restrain inflation this year. M. Raymond Barre, the Prime Minister, recently emphasised that the *targeted budget deficit of* FFr 31bn (£3.2bn) is being watched even more closely than usual, while the restrictions on the growth of credit, are a *major weapon in the policy of* controlling money supply.

Some of the other recommendations, however, may be more acceptable to the Government, since they coincide with its own objectives of trying to boost job-creating investment in the second half of the year, when the official forecasts point to a downturn in the economy.

The most important of these proposals is for help to the *building* and public works sector, already selected by the Government for action, which supports 24 per cent of France's industrial work force, and *special* assistance to families to help sustain household consumption.

Mitterrand attacks Afghan policy

BY ROBERT MAUTHNER IN PARIS

M. FRANCOIS MITTERRAND, the French Socialist leader and a possible candidate in next *spring's presidential election*, said yesterday that international recognition would have to be given to the resistance movement in Afghanistan if the war there continued.

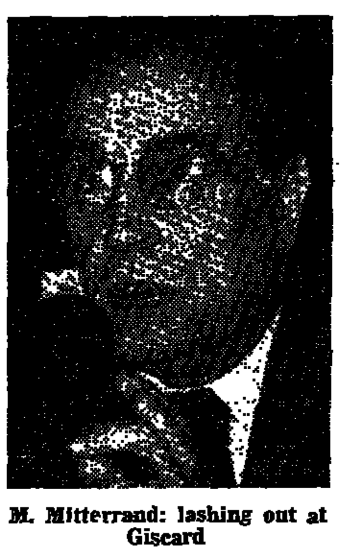
Criticising President Giscard *d'Estaing's policy on* Afghanistan, M. Mitterrand said that the announcement of a partial withdrawal of Soviet troops from Afghanistan begged a *number of important questions.* By describing it as a significant move, the French President was, above all, attempting to justify his recent meeting in *Warsaw with Mr. Leonid* Brezhnev, the Soviet leader.

But the basic question of whether Moscow was prepared *to agree to a timetable for a* total withdrawal and whether it was demanding international recognition for the present pro-Soviet regime in Afghanistan as a prior condition, remained unanswered.

While *the maintenance* of "open relations" with the Soviet Union was useful and in France's interests, the right moment must be chosen for dip*lomatic initiatives. At present* it was not clear whether the Soviet Union looked upon M. Giscard d'Estaing as the most flexible, or merely the weakest, *Western partner.*

The Socialist leader also hit out at President Giscard's opposition to enlargement of the EEC *until the fundamental* problems of the Community's financing system and common farm policy had been solved. Since this contradicted the *President's earlier statements* on enlargement, it could only undermine the credibility of France's foreign policy in the eyes of other countries.

Predictably, M. Mitterrand was even more critical of the *Government's economic policies.* Six years after M. Giscard's election, inflation was rife, unemployment had never been as high, the living standards of *many were falling*, the trade balance was in heavy deficit and social inequalities abounded, he said.



M. Mitterrand: lashing out at Giscard

Poland aims for trade surplus this year

By Christopher Bobinski in Warsaw

POLAND'S hard currency trade *should* move into surplus this year for the first time in a decade, according to revised plan targets approved by Parliament. But the changes, which are intended to improve Poland's external financial position burdened by an £8bn debt, *will hit hard-pressed domestic* consumers and cut industrial production by 2 per cent.

The standard of living under the new targets will fall compared to *last* year, and the authorities are hoping to shift up to 200,000 workers away from industry into the service sector. Up to £560m worth of goods, or 3 per cent of the deliveries originally assigned for domestic consumption, will now be exported.

Export earnings for 1980 are now set at £3.6bn while imports are being cut to £3.3bn. The resulting trade surplus, together with a £17m services surplus, has to be set against £850m worth of interest payments this year, Polish Government officials said. This should result in a balance of payments deficit of £420m this year.

The new export target was forecast to Western bankers when they came to Warsaw at the end of April for a review of Poland's financial situation and were asked to participate in a new $500m Eurocurrency loan.

But now, according to the same government officials, the authorities have revised the debt repayment schedule outlined at the April meeting. The new schedule was presented to Mr. David *Rockefeller, the chairman of* Chase Manhattan, during his talks here last week.

Next year's plan is to aim at hard currency export earn*ings of £4.1bn and imports of* £3.4bn. This, taken with a services surplus, should give a total surplus of £850m. Interest payments in 1981 are *also estimated at £850m*, and as a result Poland hopes to balance its hard currency payments next year and put a stop to the growth of the *debt a year earlier than* forecast. The authorities are aiming to cover capital repayments, which in 1981 will be at least £2.1bn, with new credits.

Inflation eases in France

By David White in Paris

THE FIRST sign of an easing *of French inflation came with* the publication yesterday of May figures showing an annual consumer price rise of 13.7 per cent, compared with 13.8 *per cent the previous* month. The monthly rise of 0.9 per cent marked the first time since last December that the rate has been less than 1 per *cent* a month.

NATO ministers likely to press Kremlin on 'theatre' missile talks

BY REGINALD DALE IN ANKARA

FOREIGN MINISTERS of the North Atlantic Treaty Organisation (NATO) gathered in Ankara last night for a two-day meeting to review the state of the Western alliance, following the Soviet invasion of Afghanistan.

The alliance's annual spring meeting will attempt *to draw* the lessons of the invasion for Western consultation procedures, which did not work as smoothly as hoped in the immediate aftermath of the Soviet move, and decide the next steps *to be taken in* relations with Moscow.

It is the first NATO ministerial meeting at which France will be represented since the invasion.

NATO officials here last night said the alliance was unlikely to be impressed by the Soviet announcement that it was withdrawing some combat units from Afghanistan, rejected as *insufficient by the seven leading* Western industrial countries at the Venice summit earlier this week.

The Foreign Ministers are expected to remind Moscow of its December offer to negotiate limits on long-range "theatre" nuclear *missiles in Europe*—a proposal that has twice been *turned* down by the Soviet Union.

Moscow has said it will not negotiate until the allies suspend their plans to modernise NATO's "theatre" missiles, but has shown no readiness to stop its own deployment of sophisticated new nuclear rocketry.

The position adopted in Ankara will be of particular significance in view of next week's *visit to Moscow* by Chancellor Helmut Schmidt of West Germany, the first by a Western head of Government since the Afghan invasion.

The Ministers will want to make it clear that, despite speculation to the contrary, all the European members, including West Germany, remain committed to the decision to modernise the West's nuclear forces.

Belgium, which originally promised to confirm its participation in the Western missile plan this month, may no longer be able to do so, following a *series of* Government *crises* in Brussels. But the other Western countries are hoping that the Belgians will be able to re-affirm their willingness to accept American ground-launched Cruise missiles in the near future. Britain announced sites for its quota of the missiles last week.

The foreign ministers are also likely to take every opportunity to express support for Turkey, meeting as they are in the *country's capital.* Dr. Joseph Luns, the alliance's secretary-general, last night said further economic aid to Turkey would be discussed.

Following the invasion of Afghanistan, it was becoming "increasingly important for the alliance's collective defence that the current efforts to strengthen the cohesion of the south-eastern flank should be intensified," he said.

Battle looms in Spain over joining Atlantic alliance

BY ROBERT GRAHAM IN MADRID

SPAIN'S SOCIALIST party yesterday signalled a head-on confrontation with the Government over its recently an*nounced intention of seeking* NATO membership. The party said it would only accept Spain's joining NATO if the move were endorsed by a *referendum; the Government is* insisting on a Parliamentary vote.

The Socialists' outspoken opposition to NATO adds a note of controversy to President Jimmy Carter's visit here today. Although the President's visit is seen primarily as a courtesy with electoral undertones, he is expected nevertheless to repeat Washington's desire for Spain to join the alliance.

The opposition of the Socialist party to NATO has long been evident, and while Government's attitude was ambiguous there was no conflict. However, on June 15 Sr. Marcelino Oreja, the Foreign Minister, announced that the Government would apply for NATO membership. He hoped the process could begin next year *and be completed before* the 1983 General Election. The Government would seek a simple parliamentary majority, he said.

In Parliament yesterday, Sr. Oreja repeated his remarks, underlining that Spain could not remain neutral and had to commit itself to the alliance. *While* he did not make NATO membership conditional on a positive outcome to the EEC entry negotiations, he made it clear that it was linked to progress on Gibraltar.

Sr. Luiz Yanez, a Socialist spokesman, said that if the Government took Spain into NATO on a simple parliamentary majority, then his party would withdraw the country from the alliance the moment it had a majority. The sole verdict it would respect was that of a referendum.

Soviet Agency denounces strike report

By David Satter in Moscow

THE SOVIET News Agency Tass has denounced a recent report in the Financial Times that a work stoppage occurred at the giant Kamaz lorry works, and accused the newspaper of *participating in a "relay race* of lies."

Tass quoted a local official in Naberezhnye Chelny, where the Kamaz works is located, as say*ing the report of a four hour* work stoppage at the plant was a "*shameless lie.*"

"We had no strikes, on the contrary, the workers of Kamaz are making enthusiastic efforts to complete the second production line of the works in time for the 26th Congress of the Soviet Communist Party," said N. Galliullin, a Kamaz trade union official quoted by Tass.

The Soviet Press has issued repeated and heated denials of reports in Western newspapers of walkouts at the giant car plants at Togliatti and Gorky. It said the reports were inspired by U.S. "special services." This latest denial comes amid an increase in unsubstantiated reports of labour unrest elsewhere in the Soviet Union.

The accounts in Western newspapers of labour troubles have been beamed back to the Soviet Union over foreign radio stations which may be one reason why the subject has *proved to be unusually* sensitive.

Belgrade welcomes Carter

BY ANTHONY ROBINSON, EAST EUROPE CORRESPONDENT

ANY LINGERING resentment at President Jimmy Carter's non-attendance at President Tito's funeral last month appears to have been swept *away after his first meeting* with Yugoslavia's collective leadership, headed by President Cvijetin Mijatovic, and an enthusiastic welcome from the *people of Belgrade.*

After laying a bouquet of red roses on President Tito's marble tomb, he underlined U.S. support for Yugoslavia's *policies of independence from* both the super-powers *and said* that the U.S. appreciated Yugoslavia's efforts to further East-West detente.

In words carefully chosen to *reflect Yugoslavia's own uncom*promising views on the rights and responsibilities of great powers President Carter added that "detente must be based on *reciprocity and on mutual* restraint. It must also be based on the principles of sovereignty, territorial integrity and non-interference in the affairs of other nations."

Irish oil caution

Mr George Colley, Ireland's Minister for Energy, said yesterday that oil reserves in the Aran *Energy/BP* find in the Porcupine basin, 120 miles off the Galway coast are more likely to total 100m barrels than the 200m-300m barrels estimated by British experts.

Political killings are claiming more and more victims, writes **David Tonge**

Turkey faces a crisis of violence

ONE WEEK ago, Mr. Bulent Ecevit, the former Turkish Prime Minister, and four coach loads of his members of parliament, set off south-east from Ankara to the apple-growing province of Nevsehir. Their party's provincial leader had just been murdered, *apparently* by right wingers. By the end of the funeral, they had been cursed as Communists, stoned and, they say, shot at. Five MPs were wounded.

The failure of the police to act caused Mr. Ecevit to telephone Ankara for help. Mr. Suleyman Demirel, the present Prime Minister, was initially too busy to talk, so Mr. Ecevit had to speak to Gen. Kenan Evren, the chief of staff. The Government was not perturbed. "It was not an important incident. They were only stoned," was its reaction.

It is only by the standards of *a society as riven as Turkey* that the Government is right. But, as the Foreign Ministers of the North Atlantic Treaty Organisation states meet in *Ankara today, they are only* too aware of Turkey's strategic importance since the Iranian revolution and the invasion of Afghanistan. It is this awareness which has helped spur Western governments and institutions, such as the World Bank and International Monetary Fund, to agree this year to advance Turkey over $3bn. But the devastating internal difficulties of Turkey's 45m people mean that the credits are given with some foreboding.

The death toll in politically motivated violence has reached over 200 people each month. This is double the figure of a year ago. The victims range from workers and journalists *to students, academics,* prosecutors and politicians. More and more of those assassinated are officials of Mr. Ecevit's Republican People's Party.

A particular wave of violence erupted after the murder three *weeks ago of Mr. Gun Sazak,* Deputy President of the militant right-wing Nationalist Action Party.

A series of miniature civil wars burst out in a broad crescent of towns running round the east of Ankara. Barricade went up in provincial capitals like *Corum. But the battles were* not merely between parties; they escalated into conflicts between the two Islamic sects, the mainstream Sunnis and the unorthodox Alevis (the Turkish equivalent of the Shiites). In *the 18 months since similar* troubles led to the killing of 130 people in Kahramanmaras —and the imposition of martial law—the tensions between the two sects have grown. Turkey's delicate racial mixture has also *become more explosive*, with the Kurds, in particular, worrying Ankara. And there have been open clashes between security forces and radicalised workers, particularly in Izmir.

The police have long been overstretched. In the Haskoy area of Ankara, one police station has to handle a population as large as that of Florence. The police have also become so polarised that their enforcement role has been taken over by the army. The army has been only partially successful, at best, and at worst has fired indiscriminately. A lieutenant is now being prosecuted by the authorities for the deaths of six students. And the vigilante squads continue to operate.

The courts have proved slow *and inefficient*, and *at least* 90 terrorists have escaped from prison in the past three months. Further, torture has become a major issue. Some Turkish newspapers have been denouncing it since January. Mr. Ecevit's party held a Press conference about it in April. The Istanbul Bar Association joined the chorus in May. This month, Amnesty International, the London-based *human* rights organisation, said it had become "widespread and systematic."

The politicians have failed *to respond to this crisis of* violence. After three months and over 100 ballots, MPs have still been unable to elect a President, which has delayed work on 109 Bills, *including* major tax reforms, as well as the ratification of 14 death sentences.

Politicians have been disregarding army calls for unity to deal with the problems. The minority Government in part *survives by a series of bargains* with two small Right-wing parties—the Nationalist Action Party and the pro-Islamic National Salvation Party.

Mr. Demirel would like elections, but can call them only with Parliament's approval. Mr. Ecevit, who controls 202 of the 450 seats, has so far been able *to block this.*

The Opposition itself remains discouraged by its collapse last October, after 22 months in office. Mr. Ecevit's prestige has yet to recover, and *his* party critics are outspoken. At present, he offers no viable alternative, but he can continue to make it *difficult* for a fresh Parliament to be formed, at least as long as the National Salvation Party does not join the Nationalist Action Party and Mr. Demirel in wanting elections.

Mr. Necmettin Erbakan, the National Salvation Party's leader, objects to the pro-West orientation and economic policies of the present Government, *and he could yet upset the* balance.

But, for the time being, Mr. Demirel soldiers on. His willingness to appoint militant supporters of the Nationalist Action Party to state posts, and his plans to nibble further at Turkey's secularist tradition by introducing compulsory religious education have proved divisive. The economy, however, is crucial, and here, by Western standards, performed well.

He took office with inflation running at over 80 per cent, with industrial output slumping, with fuel and electricity in short supply, with unemployment soaring, and with the decisions on Turkey's *foreign debt still* finally to be tidied up. The acuteness of many of *these* problems derived directly from Mr. Demirel's failure to act when he was in office between 1975 and 1977. But in January this year, *he—or rather his* economic supremo, Mr. Turgut Ozal—launched Turkey in a new direction.

Traditionally, Turkey had followed policies of import substitution, protecting new industries *with high* tariff walls, granting massive subsidies to the costly "State Economic Enterprises" and heavily controlling banks, foreign investment and the oil industry. Since January, Mr. Ozal has sought to bgive *market forces a free rein*, opening the country to foreigners, freeing interest rates, and adopting a realistic exchange rate.

The extent to which Mr. Ozal has been prepared to go largely explains why, in April, Organisation for Economic Co-operation and Development countries agreed to give Turkey a $1.16bn credit, and why last week the *International Monetary Fund* approved a $1.65bn credit, the largest in relation to a country's fund quota that it has ever given.

The four months since these measures were introduced is too short for their results *fully to* work through. Mr. Ozal will describe how the wholesale price *price rose by only* 10 per cent from March to May. But, in February, as various subsidies were lifted and prices of state produced goods increased, the index rose by *only* 10 per cent.

What is undeniable is that petrol and energy shortages have been eased, that industrial production is beginning to recover, and that the business community feels the corner has been turned.

This feeling is echoed in the Fund's *latest report* on the Turkish economy. But it stresses how Turkey will continue to need massive inflows of foreign capital if the economy is to revive.

With the political problems *as serious as they* are today, and army having intervened twice in the past 20 years, there is an inevitable risk attached to this aid. But, as the West Germans have pressed Turkey's case on their sometimes recal*citrant allies, what they have* been arguing is that there is an even greater risk in not acting.

Troops surround an Izmir spinning mill, ready to help police fighting a five-hour battle recently with mill workers.

German fear of migrant wave hinders pact

BY JOHN WYLES IN BRUSSELS

WEST GERMANY'S determination to guard against a fresh wave of Turkish immigrants has emerged as a serious obstacle to the revival of the *moribund* Association Agreement between the European community and Turkey.

Hopes that next Monday's *ministerial level meeting of* the EEC-Turkey Association might see the formal relaunch of the 17-year-old agreement, are threatened by Bonn's reluctance to reaffirm a previous accord on the free movement *of Turkish labour.*

Signed in 1976, this envisaged the introduction by stages of the free movement of Turkish labour into the Community by December 1, 1986. Having regretted the agreement almost from the day it was signed, West Germany is unwilling to make any commitment to accept large scale additions to the *more than 500,000 Turkish* workers it already houses, who make up more than 90 per cent of those in the EEC countries.

Turkish negotiators *seeking* a reaffirmation of the agreement have been holding out some prospect of modifying its terms, after a joint study of labour market conditions in the EEC.

A *further* attempt to negotiate a solution will be made by officials here today since both sides know that a relaunch of the pact is close.

The two sides are also close to an accord on other *sections of the agreement* which will cover Turkish agricultural exports to the Community and economic and financial co-operation. The *EEC is* expected to offer £430m of aid as part of a new five-year financial package November 1 this year.

As a result, Mr. Demirel has already signalled a possible Turkish application for EEC membership before the end of the *year*, irrespective of the shape of its remodelled Association

Since the Russian invasion of Afghanistan, the EEC has *accorded a top priority to* bolstering its South Eastern flank. The Ankara Government wants to use closer relations with the Community to speed up Turkish *economic* recovery and place the country firmly in the camp of the Western democracies.

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Mining chief warns Botha on falling confidence

BY BERNARD SIMON IN JOHANNESBURG

FEARS OF political instability in South Africa may prompt buyers of South African minerals to seek alternative supply sources, Mr. Dennis Etheredge, President of the Chamber of Mines, warned yesterday.

Delivering his annual presidential review, Mr. Etheredge said that the optimism which followed Prime Minister P. W. Botha's reforms last year "has regrettably begun to ebb in the face of signs that the resolve needed to implement these new directions in policy may be lacking." He added that "it will be tragic if the momentum, briefly gained, which touched all groups, is permitted to founder in disillusionment."

The Chamber of Mines, which is the spokesman of all South Africa's major mining houses, has in the past maintained a low profile on political issues. Its members range from relatively liberal Anglo American Corporation, of which Mr. Etheredge is a director, to more conservative companies such as Rand Mines and Gold Fields.

The mining industry generates about 26 per cent of total economic activity in South Africa.

Besides reflecting the views of mining companies, Mr. Etheredge's remarks echo a growing unease among many South African businessmen that Mr. Botha's progress last year towards easing racial tension is rapidly being dissipated to appease the right wing of the ruling National Party.

Few of these doubts have been expressed publicly up to now, mainly because the strength of the current business upswing has largely overshadowed political worries.

Mr. Etheredge said that South Africa must "reinforce" its image as a reliable minerals supplier. "This requires more than merely a record of adherence to contractual obligations on the part of mining companies. It also requires that the Government adopt and implement policies which will inspire political confidence in a long-term uninterrupted supply of minerals from South Africa."

One of the major problems facing the mining industry is a shortage of skilled labour, Mr. Etheredge said. The shortfall rose from 1,000 to 16,000 men in the six months to March 1980, the equivalent of the skilled manpower required for two medium-sized gold mines.

Mr. Etheredge added that "we are at the stage now when barriers to black advancement are being removed but blacks are unable to take advantage of this because of the inadequacy of their basic schooling."

● Trade unions, representing 3,500 striking black workers at the Volkswagen factory near Uitenhage, were offered a 20 per cent wage increase, following talks with employers yesterday. The increase will also apply to other motor manufacturers in the Eastern Cape.

The unions will inform their members about the proposals today. If accepted, Volkswagen, whose factory has been closed since the strike began last week, expects production to be back to normal in a day or two.

Mining, Page 25

Begin's prospects dim as two leave coalition

BY DAVID LENNON IN TEL AVIV

THE ALREADY doubtful prospects of Mr. Begin's Government surviving its full term of office until November 1981 dimmed further when two Knesset members quit the coalition on Monday night and another three said yesterday that they were also considering resigning.

Mr. Begin now commands only 63 seats in the 120-member Knesset, and there is a strong possibility that this majority could be reduced further within a matter of weeks.

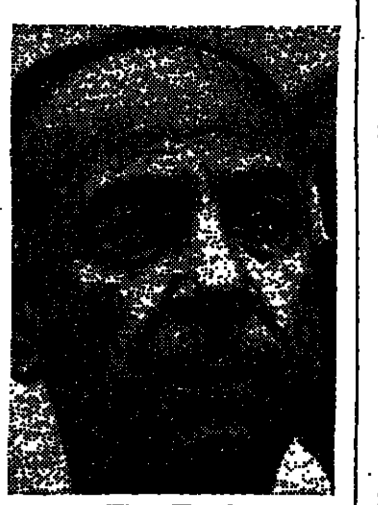
The latest two defectors are Mr. Shlomo Eliahu and Mr. Shafik Assad of the Democratic Movement. These two junior Knesset members by their departure have left the Democratic Movement with only four members still supporting the Government out of the 15 who originally joined the coalition in 1977.

One of the Opposition factions, the Shai Party, which quit the coalition over a year ago, may table a Bill in Parliament today calling for the dissolution of the Knesset and the holding of new elections. It was unclear last night just how much support the Bill would command in the House.

As the opinion polls show that most of the coalition parties would suffer serious losses if elections are held soon, there is a strong motivation for most members to keep the Government in power.

One of the biggest threats to the survival of the Government was removed yesterday when the inner economic Cabinet agreed to cut the budget by an additional IS5.4bn (£475m).

Mr. Yigal Hurvitz, the Finance Minister, had threatened to lead his three-man party out of the coalition if the Cabinet continued to oppose his demands for major cuts in public expenditure.



Mr. Yigal Hurvitz... threat removed

● In anticipation of an escalation in operations by Palestinian guerrillas, Israel has intensified its activity in southern Lebanon, Ihsan Hijazi reports from Beirut.

According to United Nations officials, the Israelis have set up two new military posts inside Lebanese territory north of Metullah. This brought up to three the number of Israeli outposts, all located inside the enclave controlled by Christian Militia backed by Israel.

Israeli gunboats exchanged fire with Palestinian positions off the coast of Tyre on Monday night while Israeli fighter jets and helicopters flew overhead.

Palestinian guerrillas have been placed on alert, in anticipation of Israeli raids in retaliation to the wave of bomb attacks in the West Bank and Israel during the past week.

ASEAN to discuss Thailand fighting

By David Dodwell in Kuala Lumpur

MINISTERS OF the Association of South East Asian Nations are to consider the escalating conflict in Indochina following the incursion of between 600 and 800 Vietnamese troops into Thai territory on Monday morning.

Two Thai aircraft were reportedly shot down yesterday over an area of Thailand where Thai and Vietnamese-led troops battled for a second day. Senior Thai military officers at the border said Vietnamese-led troops, which captured three Thai villages in a lightning strike on Monday, pulled back early yesterday and dug into positions inside two abandoned refugee camps.

Arriving in Kuala Lumpur ahead of the 13th summit of foreign ministers from the five ASEAN countries—Thailand, Malaysia, Singapore, Indonesia and the Philippines—the Indonesian Foreign Minister Dr. Mochtar Kusumaatmadja conceded that ASEAN's policy of pouring oil on Indochina's troubled waters would have to be reviewed, and that a deliberate escalation of the conflict would be discussed during the two-day summit.

He refused any more specific comments, arguing this would not be appropriate until details of the attack were reported by the Thai government, and until options had been fully discussed at the summit.

Dr. Mochtar's comments are significant because Indonesia has consistently been the most patient of the Asean nations in listening to Vietnam's point of view.

He nevertheless admitted considerable disillusion over the Vietnamese attack: "It certainly puts those who advocate continued dialogue with Vietnam in a difficult position. It makes it more difficult for us to maintain that what we have been doing is worthwhile."

Despite the threat the attack poses to Thailand's security, it is bound to galvanise and unify ASEAN at a time when there have been rumours of a rift between its leaders over how to resolve the crisis in Indochina.

Mr. Sinnathamby Rajaratnam, Singapore's deputy Prime Minister, said as he arrived in Kuala Lumpur that he was in favour of systematically arming and training Khmer refugees so that they could be sent back into Kampuchea to fight Vietnamese troops occupying the country.

He emphasised, however, that this was a personal view and would not take the form of a specific Singaporean recommendation to the summit.

He criticised the Vietnamese in typically harsh words: "Vietnamese leaders have been rebuking us for not accepting repeated assurances that they would not cross into Thai territory. Truth repeated many times is worth repeating, but lies repeated many times are a warning.

"We must make our assessment not on the basis of what the Vietnamese tell us, but on the basis of their actions, their ambitions and their relationship with other allies in the region," he said.

● The Vietnamese Foreign Minister, Nguyen Co Thach, yesterday denied that his country's troops had crossed into Thailand, Reuter reported from Jakarta.

"We have not crossed the border. I have been informed of the situation and we have not crossed the border," he said. "This is not the first time there have been confused and distorted reports and this time it is the same."

Mr. Thach has been having talks on the regional situation with Indonesian Foreign Minister, Mochtar Kusumaatmadja.

New Korean reunification proposal

By Ron Richardson in Seoul

SOUTH KOREA yesterday proposed that the Prime Ministers of the two halves of the divided peninsula should meet no later than September in an attempt to ease tensions and discuss reunification.

In a meeting between working level officials at the border village of Panmunjom, the ninth in a series of contacts aimed at setting up the government-to-government discussions, South Korea attempted to set a deadline to bring the meeting to fruition.

However, the North Koreans failed to respond to the deadline and to an accompanying offer by Seoul to amend its proposed agenda to bring it more in line with the outline suggested by Pyongyang.

The North Koreans said they could not continue to negotiate with their Southern counterparts with martial law in force in the South and political activity banned.

The only agreement at yesterday's contact was to meet again on August 20.

Kathryn Davies in Singapore reports on why high wages are good for the Republic

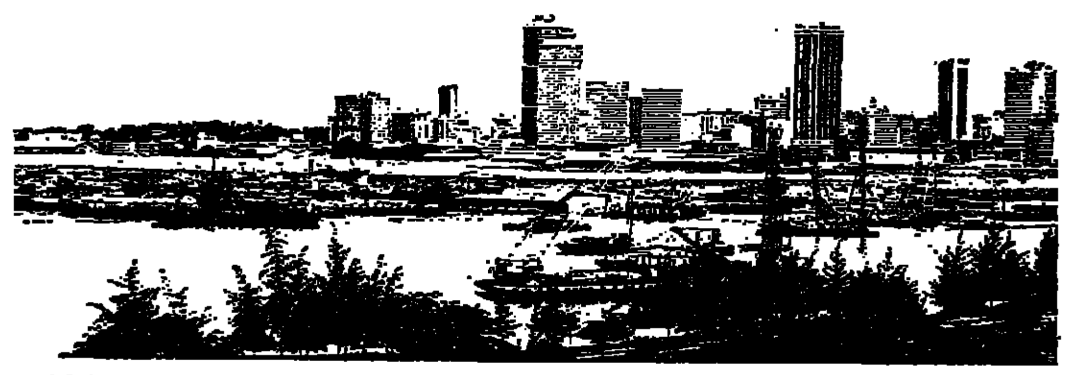
Singapore's 'second industrial revolution'

FOR THE second year running Singapore's National Wages Council, the tripartite body (which includes representatives of Government, unions and management) which advises the Government on pay, has recommended a substantial increase for workers.

From July 1, the council proposes that workers should receive an additional 7.5 per cent, plus S$33 (£6.60) on top of their flat monthly salary. Companies are also being asked to set aside 3 per cent of their total monthly wage bill, as of June this year, for distribution to above-average workers.

With higher contributions to the Central Provident Fund (Singapore's unique compulsory savings scheme), and the recently set-up Skills Development Fund, the Council's recommendations would add 19 per cent to the national wages bill.

The Government sees higher wages as an essential part of its strategy to upgrade the economy, in what is commonly known as "the second industrial revolution". This sharp change of emphasis was signalled in June last year, when the Government endorsed the council's recommendations of wage increases averaging 20 per cent, much higher than the official inflation rate, around 4 per cent, or the annual productivity increase (4 per cent in 1978, 2.6 per cent in 1979).



The Government argues that, to avoid the consequences of world protectionism for products of such labour-intensive industries as textiles, the Singapore economy must become more capital-intensive and more value must be added. It hopes that a high wages policy will result in a shake-out at inefficient companies, and is prepared to see some manufacturers re-locate their factories—perhaps across the causeway in neighbouring Malaysia.

The Government's rapid acceptance of the council's latest guidelines suggests it is reasonably happy with progress so far. According to Ministry of Labour statistics, 489,000 workers, 83 per cent of those eligible, benefited from last year's council recommendations "in varying degrees."

Singapore has a tight labour market, with unemployment running at a mere 3.3 per cent at the end of 1979. Moreover, 100,000 guest workers, most of them from Malaysia, serve to cushion against local redundancies.

This is reflected in the official figures for an inflow of foreign workers. From 23,000 in 1978 the inflow dropped to 10,000 last year. In the first five months of this year there was a net outflow of some 800 foreigners.

Not surprisingly, the 430 workers who lost their jobs last year as a result of the new economic policy quickly found other employment.

Some local economists and businessmen have expressed reservations. They question the effectiveness of the new economic strategy, and worry about its effect on foreign investment.

A recent report by the U.S. embassy in Singapore concluded that while a significant capital flight seemed unlikely, the wages policy may divert potential new investment or expansion of existing investments.

Employers point out that wage increases apply equally to manufacturing and non-manufacturing industries, and may end up by hurting precisely those service industries—like banking and tourism—which the Government is trying to encourage.

Some grumbling is undoubtedly special pleading on the part of employers traditionally reluctant to pay higher salaries. Certainly, investment commitments from abroad show no sign of slackening as a result of government policy.

Foreign investments, in terms of gross fixed assets, grew by 21 per cent or S$1bn last year; bringing the cumulative total to S$6.3bn. In the first four months of this year, investment commitments from foreign and local sources totalled S$400m.

Despite the latest spurt in wages, few Singapore workers are likely to be jumping for joy. Inflation is running at 10 per cent this year. And, in any case, the Government makes sure that much of this increase is mopped up by way of additional contributions to the Central Providence Fund, the savings scheme which enables employees to buy government-built flats, as well as providing money for pensions on retirement. From next month, workers will become liable to pay 18 per cent of their wages into the fund, a sizeable bite of potential take-home pay.

Chinese leader points to Mao's 'great mistakes'

BY TONY WALKER IN PEKING

A SENIOR member of the Chinese leadership has made the most outspoken criticism yet of the late Chairman Mao, saying that he made great mistakes in the last years of his life.

Hu Yaobank, general secretary of the Chinese Communist Party Central Committee, told Yugoslavian journalists that Mao bore responsibility for the Cultural Revolution, and that the party was in the process of making a re-evaluation of Mao's contribution to the revolution.

Mr. Hu, 67, is one of the "younger" Communist officials who have recently been promoted to take over from the present ageing leadership. He is regarded as the party's theoretician and one of its more progressive elements.

Mr. Hu said the Central Committee of the Chinese Communist Party would have a special meeting to discuss the Cultural Revolution and Mao's role in it.

The Cultural Revolution, launched in 1966 as a campaign against "bourgeois" elements in the Chinese Communist Party, turned into a purge of many senior officials, including Deng Xiaoping, now Senior Vice Premier, and Liu Shaoqi, the former head of state.

It is now suggested that Mao inspired the Cultural Revolution as a means of getting rid of those he thought represented a challenge to his leadership. The campaign, however, got out of control and brought China to the brink of civil war.

The Cultural Revolution has been described as a "catastrophe" by the present leadership. Mr. Hu's remarks suggest Mao is now going to be held publicly responsible for this catastrophe. He said the Chinese Communist Party's view of Mao was that while he made a great contribution, the Party didn't wish to conceal his mistakes.

Mr. Hu, in an extraordinary reference to Mao's works which have been regarded as China's revolutionary scriptures, said some were just empty talk. He observed that you could no longer sleep on old books.

Mao was often wrong, he said, when it came to economic questions and questions of Socialist construction and a lot of what he said doesn't fit the present stage of the Revolution.

Mr. Hu also spoke of widespread purges and physical torture which went on during the Cultural Revolution, the implication being that if Mao bore primary responsibility for the Cultural Revolution itself then he should also be held accountable for the physical abuses that went on.

He revealed that 100m people had been rehabilitated in the aftermath of the Cultural Revolution. This represented 80-90 per cent of those who were going to be rehabilitated.

On the question of the leadership succession, Mr. Hu said China wanted a collective leadership as applied in Yugoslavia, but hinted that the problem had not been completely solved.

OVERSEAS NEWS

'10,000 Russian troops quitting Afghanistan'

MOSCOW—Moscow Radio, quoting the Afghan Government, yesterday said one division of Soviet troops and 108 tanks were leaving Afghanistan for home under the Kremlin's limited military pull-out, Reuter reports.

The announcement, on the radio's overseas English-language broadcast, indicated the Kremlin was withdrawing 10,000 men from the country, which Soviet troops entered last December.

The Afghan Information Ministry in Kabul was quoted by the radio as saying the troops were proceeding along the 310-mile road to the Soviet border via the Salang Pass.

K. K. Sharma reports from New Delhi: If the wathdrawal has actually taken place, it is the first since the Soviet invasion last December. But there is widespread scepticism among Western diplomatic observers and regional analysts in New Delhi.

The analysts point out that for the past fortnight there have been heavy reinforcements of Russian troops in Afghanistan. They mention increased air activity, especially the landing of transport troop carrier planes in Kabul.

The much-publicised withdrawal is probably just a show timed to coincide with the meeting of the committee formed by the Islamic conference at Geneva, which has declared support for the intensification of the insurgency against the Karmel régime.

It is also believed to be intended to placate such countries as India which last week expressed open scepticism over Russian intentions to withdraw from Afghanistan.

If so, the move has been partially successful, since Indian officials have welcomed the decision to begin withdrawal of troops although further details are awaited before an official statement is made.

Observers here point out that insurgency in Afghanistan is becoming more effective and the rebels appear to be acquiring new and modern arms. They arealso learning to attack convoys and bring down Russian helicopter gunships

In face of this intensified activity, the Russians would need more troops to deal with the situation rather than withdraw them. Hence the conclusion is inescapable that the announcement is politically-motivated and is being used for propaganda purposes.

The Russians have never announced the number of their troops in Afghanistan but Western observers have estimated them at between 85,000 and 100,000. It is known that troops have been rotated and many contingents from Central Russia are being replaced by those from the eastern provinces. It is possible, therefore, that the "withdrawal" is just part of the rotation.

Charles Smith, Far East Editor in Tokyo, looks at the struggle for the leadership of the LDP

Wanted: someone to celebrate a triumph

THE TRIUMPH of Japan's Liberal Democratic Party (LDP) in last Sunday's election, when the party emerged with its biggest Lower House majority since 1969, leaves open the question of who will lead the party and become Prime Minister. Japan's last Prime Minister, Mr. Masayoshi Ohira, died half-way through the election campaign, removing, according to some analysts, the Opposition's main target, and improving the LDP's showing. He left no heir. Indeed, it is almost impossible to decide which of three probable candidates for the leadership has the best chance of succeeding Mr. Ohira.

The men concerned include two, Mr. Yasuhiro Nakasone and Mr. Toshio Komoto, who have made clear their candidacies, and one, Mr. Kiichi Miyazawa, who has not, but who might be called upon to serve if pressed. The reason why Mr. Miyazawa has a chance, despite his reticence, is that there are serious objections to each of the other two.

THE PARTIES

Liberal Democratic Party (LDP)	284	(258)
Japan Socialist Party (JSP)	107	(107)
Komeito (Clean Government Party)	33	(58)
Japan Communist Party (JCP)	29	(41)
Democratic Socialist Party (DSP)	32	(36)
New Liberal Club (NLC)	12	(4)
United Socialist Democratic Party (USD)	3	(2)
Independents	11	(4)
Vacancies	0	(1)
TOTAL	511	511

Figures in brackets show party strengths at the dissolution of Parliament.

THE LDP FACTIONS

Tanaka 56 · Ohira 55 · Nakasone 44 · Fukuda 49 · Miki 33 · Nakagawa 10

The LDP is split into six main factions: the "mainstream" factions, led by Mr. Kakuei Tanaka (with 56 adherents) and the late Mr. Masayoshi Ohira (55); and the "anti-mainstream" groups, led by Mr. Takeo Fukuda (49), Mr. Takeo Miki (33), and Mr. Ichiro Nakasawa (10). Mr. Yasuhiro Nakasone leads a faction (44) whose position is unclear. There are 37 uncommitted LDP Members of Parliament.

Distrusted by other party members

Mr. Nakasone, 62, leads the fourth-largest major factional grouping in the Liberal Democratic Party, and is the only leader of a big faction whose hat is in the ring. But he is widely distrusted by other party members, not least for his wheeling and dealing during the various intra-party confrontations of the past few years.

Until early this year, the Nakasone faction was considered to be one of the "anti-mainstream" factions which opposed the leadership of the late Mr. Ohira. The faction changed sides—or attempted to do so—when Mr. Nakasone failed to join other anti-mainstream leaders in a walk-out during the crucial no-confidence vote which led to the downfall of Mr. Ohira's Cabinet in May. By not taking part in the walk-out, Mr. Nakasone lost any prospect of becoming the candidate for party leadership of the anti-mainstream groups seeking to overthrow Mr. Ohira. Whether he has been accepted as a *bona fide* member of the "mainstream" group is a different question.

Mr. Nakasone's chief rival, Mr. Komoto, 69, has been regarded up to now as the No. 2 man in one of the leading anti-mainstream groups, the one led by Mr. Takeo Miki, an ex-Prime Minister. He is widely liked and trusted elsewhere in the party, and is also supported by the business world. He is, in fact, an ex-businessman. However, his factional affiliation will certainly tell against him if the present clear alignment of mainstream and anti-mainstream factions continues in existence until a new Prime Minister is chosen.

Mr. Komoto's best chance of gaining the leadership is, therefore, to play down his factional affiliations. He has done this by making the sweeping suggestion that the factions should be abolished altogether, so that candidates can be selected on their merits.

If Mr. Komoto fails to pull off his faction-dissolving gambit, and if the "mainstream" group decides it cannot stomach Mr. Nakasone, the chances are that Mr. Miyazawa will be called on to take over the leadership. Aged 62, and a member of the Ohira faction, Mr. Miyazawa is by far the most sophisticated and international of the three leadership "possibles." He is known for his fluent and articulate English, and for his economic expertise. He is a man whom most foreigners familiar with Japaan would be happy to see as leader but who, because of his international image, might not necessarily appeal to Liberal Democratic Party faithfuls.

An ironic feature of the race for the party leadership is that the issue may be settled by a man no longer a member of the party: Mr. Kakuei Tanaka, another ex-Prime Minister, left the LDP to become an independent member of the Diet (Parliament) in 1976, the first election after he had been embroiled in the Lockheed bribery affair, but is still *de facto* leader of the Tanaka faction, the party's largest, and a pillar of the "mainstream" group. With the Ohira faction leaderless, Mr. Tanaka may well have to decide whether the mainstream alliance should accept Mr. Nakasone as its candidate, or go for one of the other two options. His position has become even more crucial since the surprise electoral defeat of the veteran Mr. Eiichi Nishimura, Mr. Tanaka's former right-hand man within the LDP.

Leadership decision

The leadership question is expected to be settled by the week of July 17 to 24, when the Diet will probably be convened for its first post-election session. The man who gets the job will formally be chosen to do no more than serve out the remaining five months of Mr. Ohira's unexpired two-year term as leader.

In reality he will probably steer the party—and Japan—through at least the next two years.

The LDP's new-found strength could make these eventfuly ears, at least in terms of legislation, since the party now controls all the major Lower House committees, instead of barely maintaining a majority. Whether the Liberal Democrats will be harmonious in terms of party unity is another question, and a much more dubious one.

Shooting reaches Bethlehem

By David Lennon in Tel Aviv

THE USUALLY quiet Christian town of Bethlehem on the Israeli-occupied West Bank was tense and angry, following the death yesterday of a young Palestinian girl student, who had been injured fiv edays ago by bullets fired by Israeli troops.

Part of the town is under curfew, following a revenge shooting over the weekend, presumably by a local Palestinian, which seriously wounded an Israeli soldier.

These incidents mark a sharp deterioration in the security situation in Bethlehem, which, as a tourist and pilgrim centre, has in the past been one of the quietest towns under the occupation.

The dead girl, Miss Tagrid al Batmeh, whose age was variously given as between 19 and 22, was a second-year student at Bethlehem University. She was hit on Thursday while walking towards the University. The army spokesman in Tel Aviv said that the bullets which caused her injury had been accidentally discharged from the gun of a passing military jeep.

Bethlehem University, a Catholic college, closed yesterday in sympathy and protest over the killing. In the past, college students have complained about harassment by the Israeli occupation forces. Despite the Israeli claim that the shooting was accidental, the general belief on campus is that this action is part of the Israeli "strong arm" policy aimed at intimidating the local Palestinian population

Mr. Elias Freij, the mayor of Bethlehem, said yesterday that the fact the girl student had died from her wounds would deepen the polarisation between Israelis and Palestinians. "The cycle of violence will hurt everybody," he said. The mayor, a moderate among the mainly radical nationalist West Bank leadership, said that he hoped the curfew imposed on the business centre of the town on Saturday, following the shooting of the soldier, would be lifted soon.

Vietnam troops launch attack into Thailand

BANGKOK — Vietnamese forces supported by artillery drove across the frontier into Thailand yesterday, overrunning one village, shelling others and sending up to 100,000 Kampuchean refugees fleeing in panic, Thai officers on the border reported

More than 30 Thai soldiers were killed and another 100 were wounded in the sharp clashes that began shortly after midnight on Sunday. Casualties among the Kampucheans, of whom 200,000 are strung out in camps along the border, were thought to be heavy.

An Associated Press correspondent reported from the scene of the fighting that Vietnamese troops overran a Kampuchean border encampment at Noon Mark Noon, then entered a Thai village of the same name nearby, burning a few houses but apparently not harming the villagers who had remained behind.

Fighting was reported to be continuing, with the Thai army on full alert along the length of the border. The incursion occurs just two days before foreign ministers of the Association of South-East Asian Nations (ASEAN) meet in Kuala Lumpur to discuss the problem of Kampuchea.

Vietnamese artillery shelled at least three other Thai villages and 20,000 Thais had been evacuated from five border villages, the AP correspondent reported.

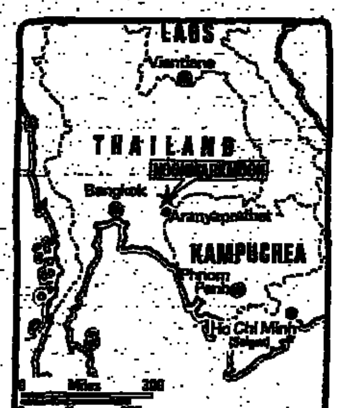
All foreign relief workers at the border were also being evacuated although there were no immediate plans to have them leave the sprawling camp at Khao I Dang, 12 kilometres from the border.

The camp houses some 130,000 refugees who had entered Thailand rather than remain in a no-man's land along the border. This no-man's land appears to have been the main target of the Vietnamese attack.

"The situation appears to be getting out of hand," a Western aid official in Bangkok said of the exodus of Kampucheans from the border.

The fighting and shelling was concentrated on a 60-kilometer stretch of the border north of Aranyaprathet, 225 kilometres east of Bangkok. Roads leading northwards from the border town were closed to civilian traffic.

Some 200,000 Vietnamese are inside Kampuchea to prop up



the government in Phnom Penh. The Kampuchean regime and Vietnam have accused Thailand of supporting the Khmer Rouge guerrillas of the ousted Kampuchean Premier, Pol Pot, and recently of repatriating Pol Pot guerrillas in the guise of refugees.—AP

Tony Walkers adds from Peking: China, anxious about diminishing support for the Khmer Rouge, has called in foreign ambassadors to repeat its strong backing for the forces of Pol Pot. Among the Ambassadors summoned by the Chinese Foreign Ministry at the weekend were those of the United States, Australia, Japan, Thailand, Malaysia and New Zealand.

The Chinese clearly summoned representatives of the only two ASEAN countries represented in Peking, along with those of Australia, New Zealand and Japan to make sure Peking's message was carried to the ASEAN foreign ministers' conference.

The Chinese diplomatic moves may also have the longer-term aim of persuading countries of the region and America not to drop recognition of the Khmer Rouge at the UN.

S. Africa silent on gold moves

BY BERNARD SIMON IN JOHANNESBURG

THE SOUTH African Reserve Bank, which is responsible for South Africa's bullion sales, was yesterday unwilling to confirm reports that the country may withhold up to 1m oz of newly-mined gold from the world market, but confirmed it was implementing a flexible sales policy. The reports began circulating last week.

It is no secret that Pretoria has been withholding some gold. In March, Mr. Owen Horwood, Minister of Finance, confirmed that South Africa's sturdy balance of payments had allowed it to adopt a more flexible marketing policy for its most important export.

As a result, the Reserve Bank has been able to hold back a portion of current output when the market is weak, although it insists it has no intention of "manipulating" the market. One senior bank official said recently that not a day has passed without at least some sales.

Sizeable quantities have, however, been withheld. Judging by monthly foreign reserves figures, the Reserve Bank's gold holdings have moved up from 9.6m oz last September to 11.3m oz at the end of May.

Some of the increase may be due to repurchases of gold pledged to Swiss banks under various "swap" arrangements in 1976 and 1977. These transactions involved some 8m oz of gold pledged to the banks in exchange for foreign currency. The South Africans have the right to repurchase the gold.

Predictions of future sales levels are impossible without a guide to the course of the gold market and South Africa's balance of payments. "If it's a flexible policy, you can't know in advance what you're going to do," a reserve bank spokesman commented. "We take all market forces into account."

Another uncertainty is the amount of "swap" gold which Pretoria decides to buy back from the Swiss banks. About half of the 8m oz pledged have been repurchased in the past year. Most has been resold into the open market, with the result that South Africa last year sold considerably more gold than the 703 tonnes it produced.

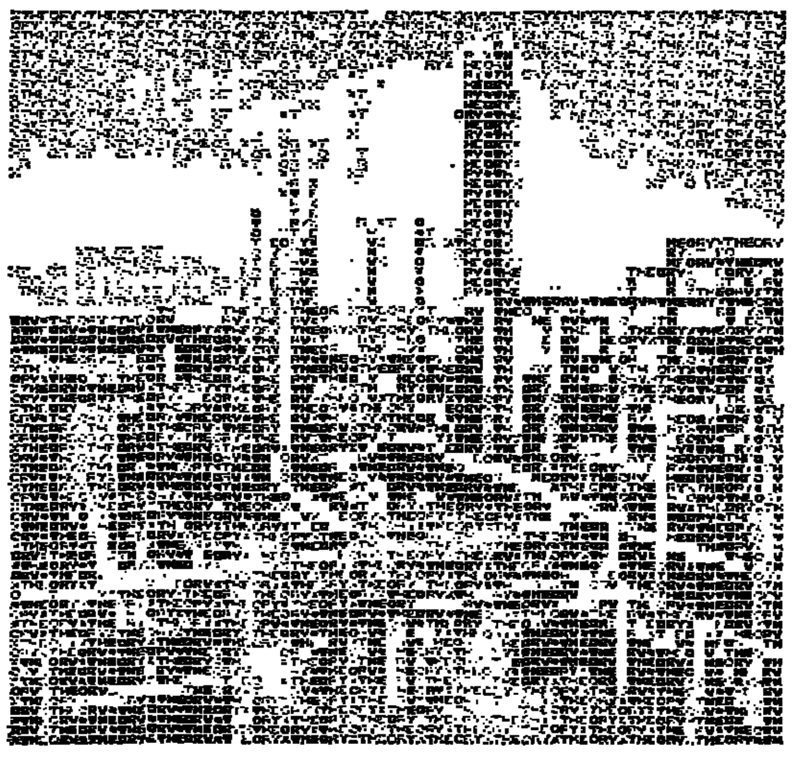
Sales of "swap" gold have brought handsome profits to the Treasury. Te swaps were concluded at prices between $100 and $150 an ounce. The buy-back price reflects only interest charges and is therefore well below ruling market prices.

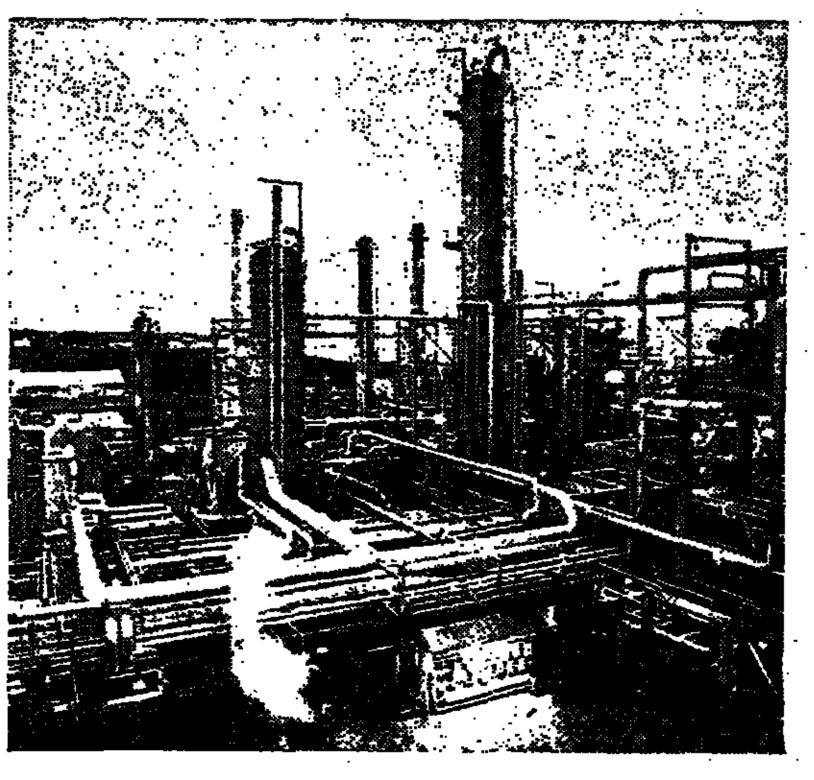
Mindful that prices can go down as well as up, the seven major mining houses have been examining ways of ensuring that their future earnings do not plummet low enough to put their operations in jeopardy.

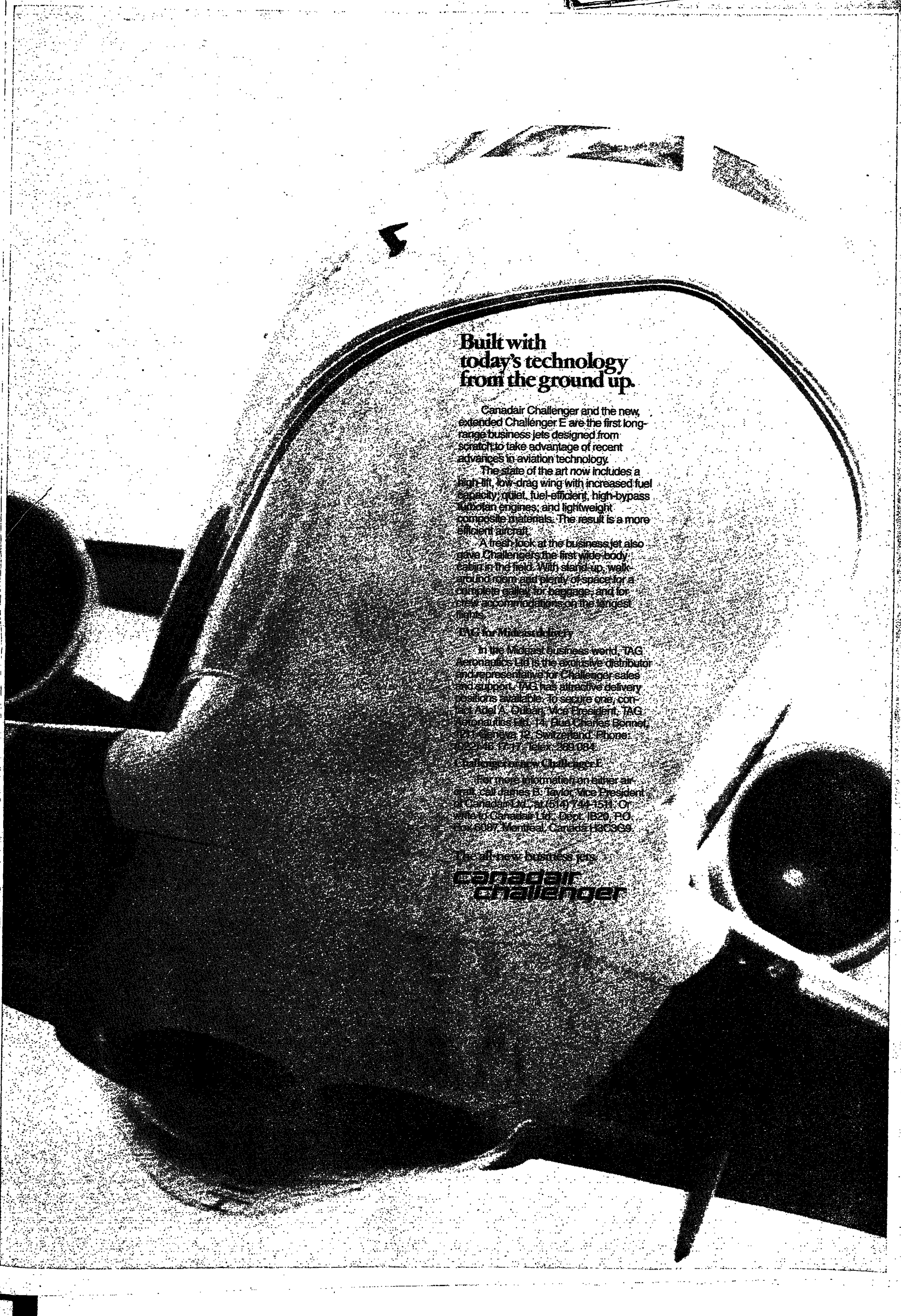
One way would be to sell at least a portion of their production forward on futures markets and the Reserve Bank has given the mines permission to do this.

But the mining houses are still not sure that hedging is the answer. "The mines are carefully considering various proposals, including the advantages and disadvantages of using futures markets," one mining industry official said this week.

Among the alternatives to hedging being considered are further "swap" arrangements, negotiated in such a way that the mines, rather than the Treasury, would be the main beneficiaries.



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Managed by

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and
Provided by

LBI FINANCE (HONG KONG) LIMITED

SWISS BANK CORPORATION
(Hong Kong Branch)

TRIDENT INTERNATIONAL FINANCE LIMITED

THE BANK OF NOVA SCOTIA
(Hong Kong Branch)

THE ROYAL BANK OF SCOTLAND LIMITED
(Hong Kong Branch)

BARCLAYS BANK INTERNATIONAL LIMITED

Agent

LLOYDS BANK INTERNATIONAL LIMITED

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May 1980

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REPUBLIC OF INDONESIA
ACTING BY AND THROUGH
BANK INDONESIA

US$350,000,000
MEDIUM TERM LOAN

Lead Managers:

BT ASIA LIMITED

DG CAPITAL COMPANY LIMITED
Wholly-Owned Subsidiary of DG BANK

CHASE MERCHANT BANKING GROUP

LLOYDS BANK INTERNATIONAL LIMITED

Managers:

AMSTERDAM-ROTTERDAM BANK N.V.

BANK NEGARA INDONESIA 1946 Hong Kong Branch

N.V. DE INDONESISCHE OVERZEESE BANK
(The Indonesia Overseas Bank)

SAUDI INTERNATIONAL BANK
Al-Bank Al-Saudi Al-Alami Limited

BANK BUMIPUTRA MALAYSIA BERHAD

GULF INTERNATIONAL BANK B.S.C.

LTCB ASIA LIMITED

TORONTO DOMINION INTERNATIONAL BANK LIMITED

AL-UBAF GROUP

Co-managers:

THE BANK OF NOVA SCOTIA GROUP
BANQUE EUROPEENNE DE CREDIT (BEC)
EUROPEAN ARAB BANK
IBJ FINANCE COMPANY (HONG KONG) LIMITED
THE NATIONAL COMMERCIAL BANK (Saudi Arabia)
THE ROYAL BANK OF CANADA (ASIA) LIMITED

THE BANK OF TOKYO (HOLLAND) N.V.
CREDIT SUISSE
FIRST CHICAGO ASIA MERCHANT BANK LIMITED
INDOSUEZ ASIA LIMITED
ORION PACIFIC LIMITED
SECURITY PACIFIC BANK

Funds provided by:

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BANCO DI ROMA Hong Kong Branch
BANK NEGARA INDONESIA 1946 Hong Kong Branch
BANK OF NEW SOUTH WALES Singapore Branch
THE BANK OF NOVA SCOTIA ASIA LIMITED
THE BANK OF TOKYO (HOLLAND) N.V.
BANQUE DE L'INDOCHINE ET DE SUEZ - INDOSUEZ
BARCLAYS BANK INTERNATIONAL LIMITED Singapore Branch
THE COMMERCIAL BANK OF AUSTRALIA LIMITED
CREDIT SUISSE
DG CAPITAL COMPANY LIMITED Wholly-Owned Subsidiary of DG BANK
THE FIRST NATIONAL BANK OF CHICAGO
HYPOBANK INTERNATIONAL S.A.
N.V. DE INDONESISCHE OVERZEESE BANK (The Indonesia Overseas Bank)
LBI FINANCE (HONG KONG) LIMITED
MIDLAND BANK LIMITED
ORION PACIFIC LIMITED
SAUDI INTERNATIONAL BANK Al-Bank Al-Saudi Al-Alami Limited
STATE BANK OF INDIA Singapore
TORONTO DOMINION (SOUTH EAST ASIA) LIMITED
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ASIEN-PAZIFIK-BANK AG
BANK BUMIPUTRA MALAYSIA BERHAD Bahrain Branch
BANK NEGARA INDONESIA 1946 Tokyo Branch
THE BANK OF NEW YORK
BANK OF SCOTLAND
BANKERS TRUST COMPANY
BANQUE EUROPEENNE DE CREDIT (BEC)
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THE ROYAL BANK OF CANADA (ASIA) LIMITED
SECURITY PACIFIC BANK
TAT LEE BANK LIMITED Singapore
UBAF ARAB AMERICAN BANK
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UNION DE BANQUES ARABES ET FRANCAISES – U.B.A.F.

Agent Bank:

LLOYDS BANK INTERNATIONAL LIMITED

May 1980

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PANOCEAN NO. 4 SHIPPING CO. INC.
a wholly owned subsidiary of
Orient Overseas Containers (Holdings) Limited

US$35,964,000
LOAN AND GUARANTEE FACILITY
for the construction of a 123,000 DWT
Bulk Carrier

Provided by

COMMERZBANK AKTIENGESELLSCHAFT

and

LBI FINANCE (HONG KONG) LIMITED

Manager and Agent

LLOYDS BANK INTERNATIONAL LIMITED

A member of the Lloyds Bank Group

May 1980

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Mass Transit Railway Corporation
Hong Kong

HK$300,000,000
Revolving Credit Facility

Provided by

Banque Nationale de Paris

Belgian Finance Co. Ltd./Banque Belge pour l'Etranger, S.A.
(Subsidiaries of Société Générale de Banque S.A.)

The First National Bank of Chicago
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Morgan Guaranty Trust Company of New York

Swiss Bank Corporation
(Hong Kong Branch)

Manager and Agent

Lloyds Bank International Limited

April 1980

CEGB may cut orders

BY MAURICE SAMUELSON

THE CENTRAL Electricity Generating Board warned its suppliers yesterday that it may have to cut its ordering programme for new power stations unless rising costs can be contained.

The warning, from Mr. Gyn England, CEGB chairman, reflects the Board's frustrations over its difficulties at the Isle of Grain power station site, and other large sites.

The threat could also apply to orders of plant for the ten-year nuclear power plant building programme on which work is due to begin in 1982. But Beard officials insist that it would not affect the second Advanced Gas-cooled Reactor to be constructed at Heysham, Lancashire, for which plant orders will be made this year.

Mr. England, addressing a conference in Birmingham, said that the more expensive new plant became in real terms, "the longer we shall tend to defer the replacement of old plant, and the less new plant we shall tend to order."

As an example of how the board's plant costs had shot up since the late 1960s, he said the estimated real cost of building the second half of the Drax coal-fired power station, on which work started in 1978, was a third higher than that of the first part, 11 years previously.

Mr England added that as new plant costs rose it became preferable to accept the higher maintenance costs of old plant rathe rthan to invest in new.

Turning to labour troubles, of which the Isle of Grain site has been a notorious victim, he said that in recent years productivity by construction workforces had fallen to about half of that in the mid-1960s.

However, thanks to better communications with trade unions, relatively few hours had been lost last year on struction projects. The second nuclear power station at Dungeness, Kent, was expected to start delivering power to the national grid early next year.

To cut costs, the Board had preferred to order replicas of proven plant. It had also developed new contracts providing contractors with stage payment tied to progress.

Warning on copying of sheet music

A WARNING that legal action would be taken over unauthorised photocopying of sheet music was given in the High Court yesterday.

The warning was given by the Music Publishers' Association, representing about 1,000 music publishing houses which publish and distribute the bulk of copyright music in the UK.

The MPA had sued Wolverhampton Corporation over about 15,000 photocopies of music, the great majority of which, the MPA alleged, were in breach of its copyright.

The corporation agreed to pay the MPA £1,300 damages and undertook not to infringe its copyright. It told the court that it had agreed to do so because of the expense that would have been involved in fighting the action.

Mr. John Wilmers, QC, for the MPA, said since the advent of the photocopying machine the Association had been concerned about protecting its rights, on which the living of composers, writers, and music arrangers depended.

Mr. Peter Prescott, for the corporation, said it was not surprising that teachers and students took advantage of photocopying services because delays of up to six months in obtaining sheet music from MPA members were not uncommon.

Peter Riddell studies the growing tide of unemployment

Misleading aspects of the jobless figures

THE SHARP rise in unemployment announced yesterday may have caused a political explosion in the Commons, but the figures were only slightly worse than expected by most economists in view of the many other signs of recession.

Indeed, the figure which has grabbed the headlines — a 150,000 jump in total unemployment to a post-war record of 1.66m—is in many respects a misleading guide either to economic trends or to social distress.

For a start, the bulk of the rise can be explained by the appearance of large numbers of school-leavers on the labour market. The number without jobs rose by 137,500 to nearly 187,000 in the month to mid-June.

A large increase in the number of school leavers registered as unemployed often occurs in the summer. This is partly because many companies do not start to recruit until the early autumn.

Consequently, school leaver unemployment tends to reach a peak of more than 200,000 in mid-summer, and then to decline sharply in winter. For example, the peak total of 253,000 in July, 1977, was reduced to 40,000 by the following March, partly because of the Government's special job measures.

There could also be a decline this year, although no doubt that school leavers' job prospects are much worse than ever before. The June school leavers' figure is higher than in previous years, so it is likely that the hard core left by next winter may also be higher than in 1976 to 1978.

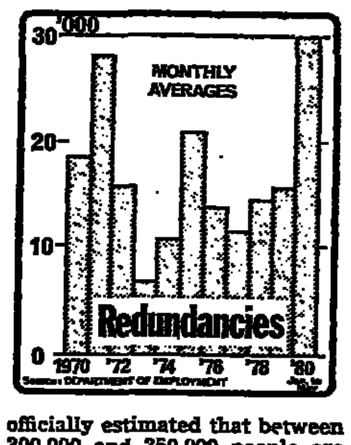
Most analysts deduct school leavers from the total and also adjust for seasonal variations. This trend is scrcely more comforting than the unadjusted total. The 50,700 rise in the adult seasonally adjusted total in the month to mid-June was the biggest one-month rise since October, 1975.

The adult total has risen by 272,600, or 21½ per cent, since the increase began last September. Moreover, the rate of growth has accelerated in recent months to about the monthly figures seen in the last recession in 1975. No one in Whitehall is prepared to guess when the rises will stop.

The unemployment total is often taken as a rough-and-ready indicator of the health of the economy, but, as the May Department of Employment Gazette points out, the figures need close examination.

It is necessary to adjust for the unemployable, the voluntarily unemployed or those not really interested in finding work, including some occupational pensioners (about 90,000 to 100,000) and those temporarily between jobs.

On the other hand, it is



officially estimated that between 300,000 and 350,000 people are unemployed, but not registered.

All this obscures not only the economic significance of the figures, but also their social impact, particularly in view of the number of unemployed people, especially women, who are not heads of households.

There is, however, no doubt that the number of involuntarily unemployed who are sole wage earners in a family is rising sharply.

The unemployment statistics present only one side of the picture. For example, total employment is falling steadily, particularly in manufacturing, where the workforce dropped by 37,000 a month between December and March compared with average falls of 20,000 a month in the previous halfyear. This is similar to the pattern in the last recession.

It has been reflected in a sharp rise in redundancies. The Employment Department estimates that between January and May this year notified redundancies averaged 30,000 a month, nearly double the monthly average for each of the last four years.

At the same time, companies have cut recruitment sharply. Notified vacancies have fallen for 12 months running to the lowest level since the end of 1976.

A further reflection is the sharp drop in labour turnover, particularly in manufacturing, where the rate of hirings per 100 workers has dropped to the lowest levels since statistics were first colelcted in 1948.

All this adds up to an undoubtedly bleak picture. There are marked regional variations and there are, for example, still shortages of labour in parts of the country—in part reflecting distortions in the labour market.

The contrasts are brought by the fact that in London in mid-April unemployment was equivalent to 3.9 per cent of the workforce and less than seven in every 1,000 had been out of a job for more than a year. But in Liverpool the unemployment rate was 12.9 per cent and 48 per 1,000 had been without work for more than a year. At the same date, vacancies notified to Department offices were equivalent to 1 per cent of the workforce in London, but only 0.3 per cent in Liverpool.

These figures can, however, give a misleading impression since they measure the position on a particular date rather than total activity. Official statistics which reveal flows on and off the register show that, even in the three months to May, an average of 384,000 people were leaving the unemployment register each month and nearly 300,000 new vacancies were being notified to the Department.

Shorts wins contract

SHORT BROTHERS, the Belfast-based aerospace and guided weapons manufacturer, has won a contract, believed to be worth £20m, from the Ministry of Defence to improve its Blowpipe close-range, ground to air missile.

It is part of a £30m order to Shorts announced by the Ministry in February.

The improved Blowpipe will be used to equip infantry units of the Territorial Army. It is a guided weapon fired from the shoulder and aimed by radio command through a monocular sight.

List of recognised banks updated

BY DAVID MARSH

FOUR IRANIAN banks operating in London have been granted full banking status under the terms of last year's Banking Act. The Bank of Credit and Commerce International, a Luxembourg-based bank with Middle East connections and 45 branches in the UK, has been ranked in the second tier category as a "licensed deposit-taker."

The Bank of England's updated list of recognised banks and licensed deposit-takers contains 53 names, 18 in the first category and 35 in the second.

These are additions to the initial list classifying 368 institutions which appeared a month ago. Institutions are placed in the "licensed deposit-taker" rather than "recognised bank" category either when they are largely involved in consumer or instalment credit or when they lack a sufficiently wide range of banking services.

There had been some speculation in the City that the four Iranian banks—Bank Mellat, Bank Melli Iran, Bank Saderat Iran and Bank Sepah—might not receive full banking status because of continuing political uncertainties in Iran.

Iran Overseas Investment Bank, the consortium bank, which concentrates on lending to Iran, and which is owned by Iranian banks and leading western institutions, does not figure on either list. It is among the 180 institutions still waiting to be classified. The Bank has said it will bring out updating lists about once a month to settle the status of these remaining institutions.

RECOGNISED BANKS

American Express International Banking Corporation, Anglo-Romanian Bank, Atlantic International Bank, Banco do Estado de Sao Paulo, Bank Mellat, Bank Melli Iran, Bank Saderat Iran, Bank Sepah, Bayerische Landesbank Girozentrale, Bayerische Vereinsbank, Gulf International Bank B.S.C., Havana International Bank, Page and Gwyther, Qatar National Bank S.A.Q., Gerald Quin, Cope, Royal Bank of Canada (London), Société Générale Bank, Toronto Dominion International Bank.

LICENSED DEPOSIT-TAKING INSTITUTIONS

Allied Irish Finance, Auban Finance, Bancomer, Bank of Credit and Commerce International, Thomas Barlow and Bro., Bayerische Hypotheken-und Wechsel-Bank, Boston Trust and Savings, Business Mortgages, Carolina Bank, Commercial Credit Services, F.C. Finance, M. and F. Feuchtwanger, Ford Motor Credit, Gillespie Bros., The Hanil Bank, Harrods (Knightsbridge), H.F.C. Trust, Korea First Bank, London Scottish Finance Corporation, Marine Midland, Midland Bank Industrial Equity Holdings, Mortgage Management and Investments, National Commercial and Glyns, National Guardian Securities, Northern Ireland Industrial Bank, Overseas Trust Bank, Punjab and Sind Bank, Rathbone Bros., Red Dragon Securities, St. Margaret's Trust, Security Trust, Sterling Credit, Swiss Bank Corporation International, Barrie Vanger, Wells Fargo.

McCormack to market Miss World competition

BY ARTHUR SANDLES

MISS WORLD, the international beauty contest bought by Mr Eric Morley from Mecca (Grand Metropolitan), is to be marketed internationally by the Mark McCormack Organisation. The deal is aimed at substantially increasing Miss World revenues by a variety of merchandising exercises.

Mr McCormack is a leading name in personality management and merchandising, and represents sporting stars like Bjorn Borg, Jackie Stewart, Virginia Wade and Gary Player.

The deal was done to maximise returns, thus helping to service and repay the substantial loans which had been necessary in order to buy the contest from Mecca, said Mr Morley.

Children's charities will continue to benefit from the contest, with £150,000 the 1980 target figure.

Almost certainly the deal will mean changes in the Miss World competition, giving it a much greater commercial emphasis. In theory, however, the McCormack organisation has no control over the contest itself, although it does now have a 25 per cent interest in Miss World (Marketing).

Thames Television has the British Isles television rights for the next three years.

The earnings of Miss World herself may rise from the present expected £40,000 a year to nearer £90,000, said Mr Morley.

Old Master drawings set auction records

SALEROOM

BY ANTONY THORNCROFT

AUCTION records were established at Christie's yesterday for drawings by Rembrandt, Fragonard and Guardi. The 81 lots in the collection of Old Master paintings of Baron Paul Hatvany, a Hungarian who came to England just before the Second World War, sold for £693,355.

The Rembrandt, Joseph recounting his dreams, dated about 1638, was bought by a private American buyer for £190,000, plus the 11.5 per cent buyer's premium and VAT. A Venetian Capricio by Guardi went to an English collector for £32,000. Ward-Jackson, the London dealer, paid £28,000 for the Fragonard, a red chalk drawing of a girl with bellows.

Other high prices were £165,000 from Agnews for Saint Andrew and two other Saints by Mantegna. This was discovered by Christie's in 1959 and sold to the Baron for £15,540. The Ascension, an illuminated initial U from the Florentine School and dated about 1420, fetched £37,000.

A previously unknown 14th century English manuscript of the Apocalypse, sent to Sotheby's for valuation, sold for £52,000 to Breslauer, a New York dealer. Dating from about 1320, it has 47 small pages and 94 half-page miniatures. It was signed by John of Pollington in Yorkshire.

The only known manuscript of the earliest English autobiography, The Book of Margery Kempe, written in East Anglia about 1440, sold for £50,000 to Quarritch. An Hoirs of the Virgin, produced in Flanders in the mid-15th century, realised £35,000.

The Duke of Hamilton sold some of his silver and furniture in a sale organised by Sotheby's in the grounds of Lennoxlove, his home in East Lothian. It raised £150,027, with top prices of £13,000 for a George IV silver gilt dressing set and £11,500 for a pair of triangular vegetable dishes and covers by Paul Storr of 1806, with the arms of the 10th Duke of Hamilton. Koopman bought both lots.

UK NEWS

More given onshore oil probe permits

BY SUE CAMERON

THE GOVERNMENT yesterday granted 18 onshore oil exploration licences covering areas as far apart as Yorkshire and the Isle of Wight.

This is one of the largest onshore licensing rounds yet and reflects the way higher prices and supply shortages have *boosted exploration* interest.

The 18 licences have been given to consortia led by five companies—the Canadian-based Candecca Resources, the UK-based RTZ, the U.S.-based Quintana, the U.S.-based Amoco and the UK-based Gas and Oil Acreage.

Last year UK oil production from onshore wells amounted to 120,000 tonnes of crude. This compares with the 85m tonnes a year from the UK sector of the North Sea at present.

The biggest onshore oilfield yet to be *discovered in the* UK is at Wytch Farm in Dorset, where British Gas is the operator. *It is already* producing at the rate of 4,000 barrels a day from a reservoir with estimated recoverable reserves of 30m barrels.

A second and deeper reservoir in the field is thought to contain reserves of up to 60m barrels. This would put the Wytch Farm field *in the same* class as some smaller North Sea fields.

The 18 licences issued allow their holders to carry out seismic surveys and drill to 350 metres to obtain geological information. But they do not give the companies the right to drill for or produce oil and gas.

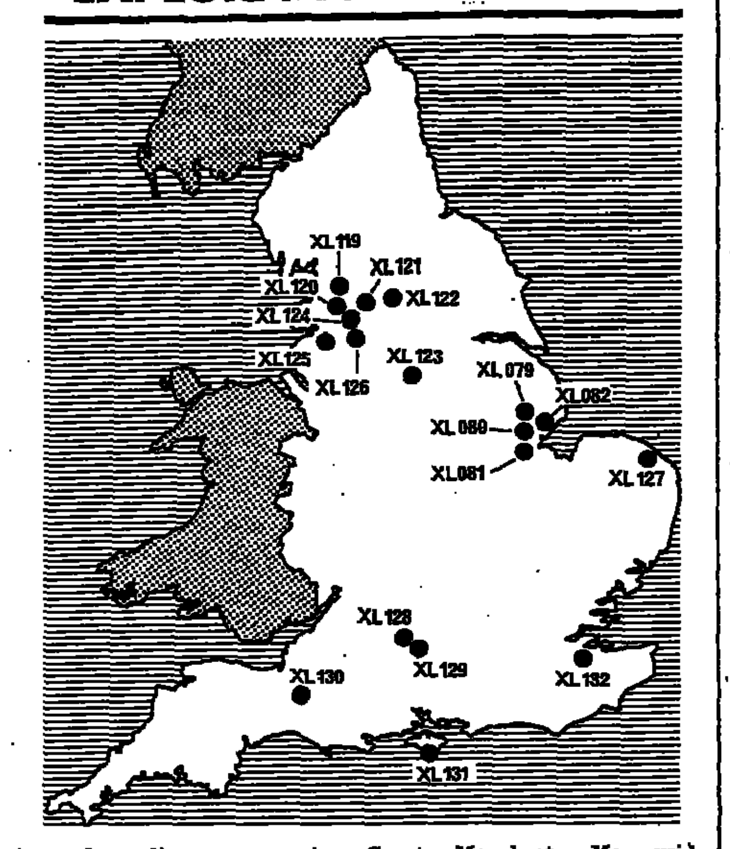
There are 102 onshore exploration licences in force in the UK—including the 18 announced yesterday. There are 30 onshore production licences in force.

Candecca Resources and Great Basins Oil and Gas have been given four licences covering 1,597 square kilometres in Lincolnshire. RTZ Oil and Gas has been awarded five licences in Lancashire, North Yorkshire, West Yorkshire, South Yorkshire and Derbyshire, covering 2,146 square kilometres plus a further two licences in Wiltshire, Berkshire and Hampshire, covering 597 square kilometres. Amoco UK Petroleum has three licences covering 1,385 square kilometres in Lancashire, Greater Manchester, Merseyside and West Yorkshire.

Quintana Anglia and Fulsetbrode have one licence covering 488 square kilometres in Norfolk. Gas and Oil Acreage has three licences covering 615 square kilometres in Somerset, the Isle of Wight and Kent.

The cost of carrying out preliminary surveys, seismic surveys and geological appraisal on a single onshore block can be up to £1m.

ON-SHORE EXPLORATION LICENCES



Air UK confident Dutch will accept Amsterdam flights

BY GARETH GRIFFITHS

AIR UK, Britain's newest airline, has been given a route licence by the Civil Aviation Authority to operate services between Stansted and Amsterdam, subject to the approval of the Dutch Government.

The airline is confident the approval will be forthcoming. Air UK, formed at the start of the year, believes the new twice-daily services will attract an additional 36,000 passengers and generate an additional *£1.2m revenue in the first year.*

Air UK is unlikely however to start cutting prices of London *to Amsterdam fares. It has said* it does not favour a move to lower passenger fares, although each route would be judged on its merits. The airline has concentrated on domestic flights and regional airports. It serves 22 British airports.

The main significance of the CAA decision rests on the fact that Stansted has been designated London's third international airport. The allocation of licences holds out future advantages for route applications by airlines. The CAA said it considered that no airline was better placed than Air UK to develop services from Stansted.

Mr. Peter Villa, the company's managing director, said yesterday the year had proved to be a difficult one. Demand for domestic air travel was static or even declining and costs were rising, almost daily.

Air UK was formed in January when British Island Airways, Air Anglia, BIA/Air West and Air *Wales all merged.* The airline is part of the British and Comonwealth Shipping Group.

The merger has cost British and Comonwealth Shipping £4m in losses. The airline's policy has been to expand the number *of its routes and to increase* revenue.

In April, Air UK took over *six loss-making British Airways* domestic routes. The company's aim at the time of its launch *was to carry more than 1.7m passengers in its first year with a* target revenue of over £55m.

Air UK *already operates* a series of scheduled flights to Amsterdam from Norwich.

CAA has also given Air UK a route licence to fly from Gatwick to Billund and Aarhus in Jutland. It is not yet clear what the attitude of the Danish authorities will be, alhough Air UK has said it would like to fly daily.

Little relief to the gloom

Eric Short on insurance prospects

THE UK insurance industry is in the doldrums. Its share of the world insurance market is static, if not in decline, and its future prospects are not much brighter. The only optimistic *feature is the rapid* growth in investment income arising from the high short-term interest rates available.

Last year's underwriting loss of £215.7m for UK insurance companies was nearly 10 times as great as the previous year's *£27m. Much deterioration came* from bad luck.

The insurance industry exists to pay claims and expects some years to be worse than others. *In particular,* winter *on* both sides of the Atlantic was exceptionally bad in 1979.

Insurance in the *UK suffered* from the worst winter for nearly two decades. In the first months of last year the insurance companies paid out £25m more than expected on motor claims and this was one of the main reasons that UK motor underwriting losses more than doubled from £21.5m to £57.5m.

But the bigger blow to profitability came from the UK fire and accident account, in which household insurance was a major problem.

Bad weather claims at the start and end of 1979 cost £65m, a further £20m was paid out on subsidence claims. There was a 23 *per cent increase in* theft claims from private homes costing nearly £50m.

Insurance companies are suffering both from the rise in the number of thefts and the growing incidence of arson. This is now the chief cause of fires in *commercial properties.*

Mr. Geoffrey Bowler, chief general manager of the Sun Alliance Group and the outgoing chairman of the British Insurance Association says the most serious problem facing the industry was inflation and the continuing strength of sterling.

Higher interest rates last year *meant that* the investment income of insurance companies advanced by nearly 20 per cent to £980m. *But this growth just* failed to offset the decline in underwriting.

So, the overall surplus was nearly 4 per cent down at £764m. While this figure looks adequate, insurance companies with an expanding premium income need matching expanding profits in order to maintain their solvency.

Inflation raises both administration expenses and the cost of future claims, especially for long tail liability business. Premiums do not increase as quickly because they are paid in advance. The insurance companies can only lift premium rates for future business.

Sterling's strength is holding back growth in overseas insurance business. Premium income in sterling terms fell slightly in the U.S. and the rest of the world, whereas in local currency terms, it grew by between 8 and 10 per cent.

These two factors, coupled with fierce competition, resulted in U.S. business moving from profit in 1978 to a £19.3m loss last year, and business in the rest of the world showing losses more than doubled from £35.8m to £93.5m.

The outlook for 1980 is brighter for the UK insurance industry in that the losses are expected to be lower than last year. But inflation is expected to affect the results adversely.

In the UK, motor premiums could well rise by as much as 30 per cent, yet substantial losses are expected arising from *escalating* claim costs. The industry has been lifting house insurance premiums substantially but it will be surprised *if* the householder account breaks even.

The picture in the U.S. is gloomier. Higher losses are expected this year and the insurance industry moves further into the down turn of the trading cycle.

AA gives warning on premiums

BY JOHN GRIFFITHS

MOTOR insurance premiums will rise even faster unless the vehicle repair trade can be regulated, the Automobile Assoclatin warns today.

It gives the warning in the latest issue of its magazine, Drive, after an investigation into repair costs.

This found "*inconsistencies,* incompetence and irregularities."

Drive took a crash-damaged car, inspected by Motor Insurance Repair Research Centre experts, to 20 body repair specialists in southern England. £276, plus parts to a £2,225 write off. The research centre's quote was £800. Every job, parts and labour description differed. No repairer proposed using modern money-saving techniques or pointed out suspension made dangerous by the crash.

One repairer said many used second-hand panels but charged for new ones, and work charged for was not often done.

Twelve repairers were Vehicle Buliders and Repairer Association members, bound by a code of practice. Their *proposed* labour charges varied by 100 per cent. Among the nine members of the *Motor* Agents Association, also with a code of practice, the estimates ranged *from £400 to £938.*

The agents association said: "Estimating skill is not of a high order."

The magazine calls for "urgent positive action," and urges insurers to insist that at least three estimates are obtained, only insurer-approved repairers are used, and garages must provide proof that specified new parts have been used.

Aeonics ends trading after fall in demand

BY ANDREW FISHER

A SLUMP in demand coupled with heavy new factory and computer costs has led Aeonics, a mail order company in household textiles, to stop trading and call a voluntary meeting of creditors.

The company, set up in 1968 and familiar through nationwide newspaper and colour magazine advertisements, said *yesterday payments for goods* by the public would be fully covered by bank guarantees.

There should, therefore, be no need to call on the mail order protection scheme run by the Newspaper Publishers' Association to which companies, advertising agencies, and publications themselves contribute.

Mr. Paul Alkin, the managing *director, who owns the private* company with Mr. Robert Burns, the finance director, said Aeonics had spoken with potential buyers of its assets, but nothing had been achieved. Ironically, the company was named from the Greek word "aeon," meaning a vast length of time.

He said th ecompany owed less than £500,000 to its trade creditors. Since *January it had* cut overheads by about £400,000, with staff reduced by 50 to about 150. *In the year to June* 30, turnover was around £7m, he said, compared with £3½m in 1978-79, when net profits were £150,000.

"Two years ago when we were booming, we invested in a computer and a large factory premises," said Mr. Alkin. Now that trading had fallen sharply—Aeonics has been making a loss for some months—it had proved impossible to slim down, he said.

Aeonics *paid* £90,000 for the computer installation, and about £100,000 for the new *factory in Mitcham,* Surrey, as well as incurring further costs of about £100,000 over the *move.*

Mr. Burns said the company had ceased trading and he was yesterday refunding customers about £20,000 for goods which could not be sent off.

Because Aeonics has met its orders promptly, only a few hundred are actually outstanding, Mr. Alkin said. It was up to the creditors to decide if a liquidator should be appointed.

BP in £5m oil recovery project

BY RAY DAFTER, ENERGY EDITOR

BRITISH PETROLEUM is spending £5m on new oil production techniques at its tiny Egmanton Field in Nottinghamshire.

The project, part of an industry drive to recover a higher proportion of fuel from *the world's oil fields,* is scheduled to last at least five years. One of the techniques *being tested is the injection of* carbon dioxide or nitrogen into the Egmanton Field. The gases mix with the oil and allow it to flow more freely.

After a 12-month experiment with this method BP's operational research group has already produced the UK's first oil by enhanced recovery means. The company said yesterday the *success of the experiment* warranted a bigger project, starting next year, to try and recover *10* per cent of the 400,000 barrels of crude oil known to be still available in Egmanton.

BP hoped the Common Market would help to fund the East Midlands project. It saw the need for "considerably greater" investment when the advanced recovery methods were tried in bigger fields in the North Sea.

At present only one-third of the oil in commercial fields is brought to the surface. An average two-thirds is trapped in the tiny rock pores of the reservoirs. The enhanced recovery techniques could significantly improve this performance. In some cases the technology could be applied to win oil unobtainable by normal production methods.

The need to apply new production techniques is demonstrated in a BP briefing paper, which *shows* world reserves of crude oil could fall more than a quarter by the end of the century.

BP says in the paper world oil consumption is exceeding the rate at which new reserves are being added.

Between 1980 and the end of the century discoveries might add 250bn barrels to world proved reserves, which now stand at about 650bn barrels. Improved recovery techniques and reappraisal of old reserves could add 50bn-100bn barrels.

But at present consumption rates the world's oil industry is depleting these reserves at *23bn barrels a year.*

BP says oil price increases have stimulated the rapid *development of other energy* sources and improved efficiency of energy use, which could help relieve the pressure on supplies during the next two decades.

Estimatiing World Oil Reserves; BP Briefing Paper; June, 1980.

Britain still second in net invisible trade

BY DAVID MARSH

THE UK remains the second largest net earner from inivisible trade transactions, according to the Committee on Invisible Exports.

In 1978, the latest year for *which the committee* has compiled statistics, Britain's net earnings from invisibles were *6.26bn* special drawing rights (£3.54bn), up from SDR 4.89bn in 1977.

Only the U.S. topped this, with net earnings of SDR 20.49bn, up from SDR 17.69bn.

Invisible earnings comprise *receipts* from transport, travel, investment income and services such as banking and insurance.

Invisible receipts of the 103 countries covered by International Monetary Fund statistics rose by 16.4 per cent in 1978, *compared with a 9.4 per* cent rise for world trade as a whole.

Britain's growth in invisibles receipts, was just above 13 per cent, lower than the world *average.*

France overtook Switzerland and Italy to take third place in the overall ranking of net earnings. It displaced Britain as second in the list of gross invisible receipts.

Government rejects amendments to local authority grant plan

BY ROBIN PAULEY

THE GOVERNMENT has refused to accept any changes *to the proposed new* financial arrangements for rate support grant to local authorities, although councils *have been* asked repeatedly to submit amendments.

Mr. Tom King, Local Government Minister, asked local authorities to submit amendments to the plans for a block grant scheme in the Local Government Planning and Land Bill, expected to begin its report stage in the Commons at the *beginning of next month.*

Every amendment to the financial clauses was rejected during the committee stage of the Bill. All the local authority associations were united in their opposition to block grant.

Mr. King asked them to submit more amendments which would not undermine the principles of block grant, but would *build in safeguards to alleviate* anxiety about possible abuses. These too have all been rejected.

The local authorities are continuing to compile amendments, with increasing cynicism, but the last major push against the Bill will probably be made in the Lords rather than in the *Commons at Report stage.*

Mr. Geoffrey Rippon, a former Tory Environment Minister, who opposes the *Bill, has tabled* an early day motion in the Commons in support of the local authorities' alternative financial proposals, but it has attracted too little support from his own side of the House.

An added complication is that another Tory MP, Mr. Tony Marlow, has tabled an amendment deleting the local authority alternative plan, saying that "the House should assert its belief in local government *freedom only* where it is responsibly exercised."

The local authority associa*tions sent their most recent* amendments to Mr. King on May 8. They received a reply, dated June 20, with an apology for the delay, this week. But the letter also says that because of time pressure before Report stage all comments on it must be back to the Government by tomorrow lunchtime.

The latest amendments were very technical and largely concerned with the arithmetical applications and formulae involved in calculating and administering the new grant scheme.

Of seven amendments pro*posed, the Government* agreed to accept only one, which was not financial but concerned with terminology. It will drop the terms "standard expenditure" and "rate poundage," and agrees that the use of such terms might encourage low-spending authorities to increase their spending to the Government's proposed "standard" benchmark figure in the new block grant scheme.

Chemical sales fall by as much 40%

SALES OF basic chemicals in the UK have fallen by as much as 40 per cent in the last few months, major British producers said yesterday, writes Sue Cameron.

They said demand for plastics such as polystyrene and polyvinyl chloride (PVC) had fallen sharply throughout Europe. UK chemical companies were suffering more than many Continental competitors be*cause of the strength of sterling* and its impact on exports.

The big UK petrochemical *producers—companies such as* Shell Chemicals UK, Imperial Chemical Industries and BP Chemicals—fear some of their customers are in danger of going bankrupt. One major group said there was "no doubt at all that some of our customer companies are starting to have problems."

The petrochemical majors are feeling the effects of destocking by their customers, but they hope this problem will *right itself in the autumn.* But if their customers go out of business the long-term impact *is far more serious.*

"Once the customer base is eroded, the whole of the UK chemical industry starts to suffer—and not just in the short term," one petrochemical major said.

"You cannot get back business from a customer that has gone bankrupt.

"Some of the major German *chemical companies are giving* credit. They can afford to do so because it costs them only *10.5 per cent. But in the UK,* where credit costs 18 per cent and upwards, we simply can't *do that.*"

Workers lose battle against mill closure

BY RAY PERMAN, SCOTTISH CORRESPONDENT

UNIONS HAVE given up the *fight to prevent the closure of* the Wiggins Teape pulp mill at Fort William and have agreed *redundancy terms for the 450* workers who will lose their jobs. The mill will shut in *November.*

Wiggins Teape could not say yesterday how much redundancy payments would cost, but the terms went well beyond statutory requirements and the company's normal severance policy.

Older workers will be given the option of early retirement *with a pension. Others will get* payments which recognise the difficulty of finding alternative *work in the Fort William area,* where unemployment is among the highest in Scotland.

Wiggins Teape announced the closure of the mill last month after abandoning a *scheme to rescue it* by forming a joint venture with Consolidated Bathurst of Canada.

Unions and MPs have failed to persuade the Government to intervene to prevent the closure.

New role for Hussey at Times

MR. DUKE HUSSEY, the chief executive of Times Newspapers, is to give up day-to-day management of the newspaper group, it was announced yesterday. In a major reorganisation he will become vice-chairman of a new holding company, and a new Times Newspapers board will take on managementof the papers.

The new managing director *is* to be the present general manager, Mr. Dugal Nisbet-Smith, and the chairman, Mr. James Evans, will become the joint deputy managing director of Thomson British Holdings.

Mr. Hussey was chief executive of Times Newspapers throughout the recent confrontation with the print unions, during which the papers were off the streets for almost a year.

Explaining the new moves, Sir Denis Hamilton, Times editor-in-chief said yesterday: "The strains of top management in Fleet Street these days are almost unique in industry and will not diminish.

He added, "after 14 years as a Fleet Street *managing* director "Duke" Hussey needs a rest from the intolerable pressures of day-to-day management." The company could now enjoy the benefit of Mr. Hussey's experience without involving him in the strains of executive management.

A statement said the board of Times Newspapers Holdings would "protect the independence and the long-term future of the newspapers and agree on *broad strategy.*" The reorganisation would give "greater thrust" to the papers' development.

A more limited role for the NEB

John Elliott on Industy Bill implications

WHEN THE Industry Bill receives its expected Royal Assent tomorrow, several of the main planks of the Government's industrial policy will come officially into force, confirming changes announced since Sir Keith Joseph became Industry Secretary after last *year's general election.*

These changes include the National Enterprise Board being given a more limited and circumscribed role, in line with the Government's primary opposition to state intervention in industry.

Responsibility for Rolls-Royce will be formally passed from the board to the Industry Department, which has been exercising responsibility informally for some months. Its borrowing limits will be debated in the Commons at the time of the formal handover.

But the question of whether BL should also be passed back *to the Industry Department,* in line with the NEB's wishes, has yet to be resolved. A decision may not be made *for some time.*

Broadly it will now be easier for the NEB to dispose of its assets, either of its own volition or when instructed to do so by Sir Keith. Its earlier concentration on extending public sector ownership is cancelled.

Similar limitations are placed on the operations of the Scottish and Welsh Development *Agencies.*

Another part of the legislation deals with one aspect of the Government's interest in mixing public and private sector activities.

The State-owned English In*dustrial Estates Corporation is* being authorised to mount joint ventures with commercial in*stitutions. In readiness for this,* its has negotiated developments of small factories with the Legal and General, Barclays Bank and the NCB pension fund.

The main impact of the legislation, however, is on the NEB, whose basic functions are changed by amendments to Labour's main Industry Act of *1975 and to a 1979 Act which* extended the board's financial limits just before the general election.

Detailed guidelines and new financial limits are being negotiated between the Industry Department and the NEB to put *these legislative changes on a* day-to-day footing.

The primary change is con*tained in the Bill's first clause* which deletes the 1975 Act's requirement for the board to be responsible for "extending public ownership into profitable areas of manufacturing industry."

Instead it says the NEB should be "promoting the private ownership of interests in industrial undertakings by the *disposal of securities and other* property held by the board or any of their subsidiaries."

Linked with powers of Ministerial direction still contained in the 1975 Act, this means that Sir Keith can direct the NEB to *sell any of its companies* or, *as* in the case of Rolls-Royce, can take them over himself. He can *also* dictate the timing and terms of any sale including, for example in the case of Ferranti, whether there should be one or several new owners.

The NEB is now, however, being run by people broadly sympathetic to the Government's policies, *following* the shake up last November which replaced the board headed by Sir Leslie Murphy with a new group under the chairmanship of *Sir Arthur Knight.*

This means that a direction is unlikely to be needed unless the board wants to protect itself for some reason and asks for a Ministerial direction on a specific issue.

The Bill also changes public *dividend capital requirements,* allowing Sir Keith to tell the NEB to hand over proceeds of its asset sales to the Treasury. This confirms the Government's policy of State assets sales which has so far led to the disposal of the NEB's stake in ICL, the proposed sale of Fairey, and the present debate about Ferranti.

Another asset often tipped for early sale is the NEB's stake in Brown Boveri Kent, and other early candidates might include United Medical Enterprises. But many of the NEB's other 60 holdings out*side the high technology field* (in which it is now to specialise) are not sufficiently profitable to be offered for sale quickly.

The transfer of Rolls-Royce, and perhaps BL, along with the expected sale of the other companies, removes about 95 per cent of the nominal value of the NEB's stockholdings.

Its *statutory* borrowing limit will accordingly come down from £3bn to £750m if BL is taken over by the Industry Department—a massive reduction on the £4.5bn ceiling envisaged by the last Government.

In line with its general aim of curbing the NEB's entrepreneurial activities, the *legislation also reduces the size* of investments the NEB can make without Ministerial approval from £10m to £5m.

Finally it repeals provisions concerning planning agreements, disclosure of information, and industrial democracy contained in Labour's 1975 Act, so fulfilling the Government's wish to remove every vestige of the legacy left from the time when Mr. Anthony Wedgwood Benn was Secretary of State for Industry.

First-class post 'has improved'

By Hazel Duffy, *Industrial Correspondent*

THERE HAS been a significant improvement in the quality of the first-class letter service in the past few months says the Post Office.

From a low point in June 1979, when only 72.8 per cent *of first-class letters were* being delivered the following day, the figure averaged *81.9* per cent in the first quarter of this year and has since risen to 86.6 per cent.

The Post Office has appointed more postmen and implemented a plan to improve reliability.

The backlog of letters last summer, *when the Post Office* was confronted with internal and external problems, averaged about 40m a day. This has been reduced to a daily average of about 1m. The Post Office wants to achieve next-day delivery of 90 per cent of first class letters.

The London postal service, *criticised in a Monopolies* Commission report in the spring, shared in the improve*ment in the first three* months of this year. In inner London, 81.7 per cent of first class letters were delivered the following day, and in outer London 76.2 per cent.

Sainsbury lifts market share to 12.4 per cent

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE SAINSBURY supermarket *chain yesterday announced* that it had secured its largest share of the packaged grocery market. Mr. Roy Griffiths, Sainsbury's managing director, told a meeting of London retail analysts that the company's market share—according to Audits of Great Britain—was now 12.4 per cent.

This is Sainsbury's highest recorded market share and is *some 50 per cent up on three* years ago, before the company launched its "Discount" price cuts.

Sainsbury's market share, however, is still some way behind Tesco, which has about 14.5 per cent of the market, and the co-operative retail societies which together total about 17 per cent.

Mr. Griffiths said yesterday that the figures showed that "Sainsbury is the only leading multiple grocer to consistently increase market share, month on month, over the past four months."

The company's rising *market* share follows the sharp upsurge in profits in the past financial year. Pre-tax profits were up by 41 per cent to £46m, on sales up by more than a fifth to *£1.227bn.*

Mr. Griffiths said the retail analysts should not make the mistake of thinking that increased competition was necessarily bad for all food retailers.

"All that intense competition does is to accelerate the competitive process, with some companies doing better faster and some companies doing *worse faster.*"

Union leader hints at new social contract

BY PHILIP BASSETT, LABOUR STAFF

THE PROSPECT of a new *social contract between* the trade unions and a future Labour Government was held out yesterday by Mr. Ken Baker, a senior TUC general council member, and president of the Confederation of Shipbuilding and *Engineering Unions, which* represents about 2.5m workers.

Mr. Baker's intimation that a renewed compact with Labour on pay and employment legislation would be welcome to the unions will be received gladly by Mr. James Callaghan, Labour Party leader.

The unions' rejection of the *final 5 per cent round of the* last Labour Government's pay policy proved to be a major contribution to the Party's electoral defeat. But Mr. Callaghan has already clearly indicated that, if re-elected, he would seek a new and lengthy agreement with the unions on pay.

Mr. Baker, in his presidential address to the confederation's annual conference in Llandudno, said the last social contract "*was a bid for sanity and co-*operation in our affairs." The unions could today welcome a similar agreement.

Mr. Baker pointed to the Conservatives' manifesto commitment to re-introduce "many of those contentious aspects of the original Industrial Relations Act." They were being included in the Employment Bill, *soon* to become law.

He stressed that in the last union compact with Labour, such legislation had been repealed. New laws had been made to give unions rights and *opportunities which previously* had been out of their reach.

The moderation of Mr. Baker's views might not sit easily with some of the more militant unions in the confederation, like the Transport and General Workers, which firmly rejected pay policy in the "winter of discontent" in *1978-79.*

But his guarded welcome of the idea of a new compact is a sign of some readiness in the TUC, at least in the moderate camp, to reach a new agreement on pay.

Mr. Baker's offer was heightened by an attack on present Government policies, particularly on the fact that the Conservatives had all but openly said consultation with the unions at Government level *must end.*

"As trade unionists, we give due notice that it is not the end of anything for us. It is only the beginning, and we do not intend to be smacked like naughty children and told that *mother knows best what is good for us,*" he said.

"We know best what is good *for us.* We know best how to go about achieving what is good for us. And we do not intend to allow a Tory politician, temporarily in office, male or female, wet or dry, taking away from us those rights we have so dearly won."

The unions do not see any confrontation, he said. But if there was an attempt to prevent them from maintaining or improving their members' living *standards,* "*then we have the* means to show that today's organised workers will not step *one foot back from the goal* they have set for themselves."

Miners to continue boycott of Coal Board pit reviews

BY ROBIN REEVES, WELSH CORRESPONDENT

THE SOUTH WALES miners' union executive decided unanimously yesterday to maintain *its boycott of the National Coal* Board's joint pit review procedure, until the threat of closure was lifted *from* Tynmawr Lewis Merthyr Colliery in the Rhondda Valley.

The union's decision coincided with an enthusiastic welcome from British miners leaders and the NCB for the view of the Venice summit meeting of seven leading Western nations that coal pro*duction should* be doubled in order to reduce dependence on oil.

Senior officials of the National Union of Mineworkers went on to echo the warning from Wales that closure of any pit where workable seams remained would be strongly resisted.

They also argued that the Venice agreement was further justification for top pay rates *and conditions for miners.* The NUM conference in two weeks is expected to agree to a pay *demand of £100 a week mini-*mum for the industry—an increase of about 35 per cent.

Sir Derek Ezra, the Coal Board chairman, said he was "delighted" by the Venice agreement, but warned of "short-term problems" despite the *good* long-term prospects.

The NCB announced last month that it planned to close the South Wales pit because of heavy losses and the lack of scope for productivity improvements.

The union leaders brushed aside a peace formula instituted by Mr. *Joe* Gormley, the NUM *President, which provides for* two mining engineers — representing the union and NCB respectively—to investigate the pit. The two engineers began their examination yesterday.

Mr. Des Dutfield, the South-West Miners' vice-president, said a technical reappraisal of the colliery was not going to prove anything. There was no dispute that ample coal reserves still existed in the mine.

The closure threat had arisen because the colliery's output of high quality coking *coal* — until recently supplied *to* the steel industry — was being diverted to cheaper markets, resulting in *a 20 per cent drop in returns.*

The NCB has earmarked 12 loss-making South Wales collieries for special review under established procedures.

Observer print talks stall

BY JOHN LLOYD, LABOUR CORRESPONDENT

NEGOTIATIONS ON *new* technology at the Observer newspaper have stalled on the issue of payment to print craftsmen for producing extra pages.

The two sides appear close to settlement on most matters, *but the threat of closure still* looms. The Observer's owner, Atlantic Richfield, the U.S. oil company, has continued to press a deadline of July 1 for reaching a final agreement.

Without that, the company *has said it will divest itself of* the paper.

Mr. George Jerrom, the National Graphical Association's national officer who is conducting the negotiations for the 100 NGA members at the Observer, said yesterday: "The last thing we want to do is to close the paper down."

But "*outright refusal*" by management to accede to the union's claim on extra pages would mean the NGA would need to review its position.

The central point of the dispute is about payment for producing papers larger than 48 pages. The Observer has offered *a flat £3.25 to the NGA machine* managers for each set of eight pages above 48. The union is claiming an extra hour's payment, about £7.

The basic rate for Saturday night's 13-hour shift, already *agreed, is £92, among* the highest in Fleet Street.

The Observer sent negotiators to meet union officials attending the union's biennial delegate conference at Blackpool, over the weekend. They were unable to reach agreement.

At Blackpool, the NGA conference voted for a motion to *scrap the examination system* for its full-time officials. It was condemned as undemocratic. Candidates will now succeeed to the job without taking tests on the union's rules and general knowledge of the Labour movement.

It rejected a motion calling for *re-election of* officials every five years. At present, officials hold office for life.

Mr. Joe Wade, general secretary, defended this system, saying officials could not serve both the national council, as now, and the *membership.*

The conference voted for a motion seeking to prohibit *officials from* canvassing votes for election. Candidates may only publish a 400-word statement on the ballot paper.

● Journalists working for IPC magazines issued a statement yesterday, calling for the *removal of senior managers in*volved in the pay dispute.

Union urges ban on import of 245-T

BY OUR LABOUR STAFF

A BAN on the import of 245-T weedkiller was demanded yesterday by the Association of Scientific, Technical and Managerial Staffs.

Mr. Clive Jenkins, ASTMS general secretary, said that *tens of tons of the toxic sub*stance were coming into the UK mainly from West Germany, although the chemical was no longer manufactured here.

He was introducing a report by the union, which seeks to re-open inquiries into an explosion in 1968 at Coalite Chemicals' plant in Bolsover, North Derbyshire, in which a number of workers were *exposed to the chemical.*

The Employment Medical Advisory Service, an arm of the Health and Safety Executive, was accused yesterday of missing the opportunity for a thorough study of the chemical's effects. It said "no overt disease was evident," although workers suffered "certain" biochemical changes."

Mr. Jenkins said every *gardener should look in* his shed and check whether he was using 245-T weedkiller. Shopkeepers should also be alerted to the dangers.

Post Office to refuse engineers' claim

BY NICK GARNETT, LABOUR STAFF

POST OFFICE engineers, who have already set an August deadline for the start of industrial action over pay, were told yesterday that their wage claim was "grossly extravagant" and would not be met.

On the even of further pay negotiations with the Post Office Engineering Union, Mr. Peter Benton, managing director of British Telecoms, has sent a letter to all telecommunications staff in engineering and technical grades expressing dismay at the 37 per cent claim fixed at the union's annual conference earlier this month.

The union, representing 120,000 members covered by the claim, due for settlement on July 1, is working in conjunction with the Society of Post Office Executives, with 30,000 members.

The conference accepted an *executive recommendation to* begin industrial action from August 4 if there was no settle*ment*, but, *in defiance of the* executive, hoisted the claim from 27 per cent to 37 per cent.

The *current* offer is worth 17 per cent including 2 per cent for productivity. Mr. Bryan Stanley, general secretary of *the* engineers' union, said yesterday that the Post Office board *would have to improve the offer* significantly if a negotiated settlement is to be achieved. He has advised his members to send Mr. Benton's letter back.

In the letter, Mr. Benton says: "We have already put our prices up this year—by an amount equal to about 17 per cent on the average telephone bill.

"We will make further increases when justified but we cannot conceivably raise charges by an amount sufficient to support a grossly extravagant pay claim such as that voted by the POEU conference. If we tried to, we would infuriate *our customers and many jobs* would be at risk."

Mr. Benton also said British *Telecoms could not reduce its* expenditure on new equipment. It had to spend more to remain *competitive.*

The Post Office was willing to continue talks on the earlier basis to seek a "realistic settlement," Mr. Benton added.

TUC nominee accepted

By Pauline Clark, Labour Staff

A HOME OFFICE decision to finally accept the appointment of a new TUC nominee who is a communist to the Equal Oppor*tunities Commission was hailed* yesterday as "an important victory for the trade union movement."

Miss Terry Marsland, a long standing member of the TUC's Women's Advisory Committee, was spending yesterday following the Home Office's decision to withdraw its earlier veto on her appointment to the EOC.

On the first day of her return to work from holiday as deputy *general secretary of the Tobacco* Workers Union, Miss Marsland claimed there were indications that political considerations had played a part when the Home Office first refused to approve her nomination by the TUC.

This was the first time, she said, that a TUC nomination to such a post had been openly challenged by a government minister. If the Home Office had won it would have had "serious implications" *for the* trade union movement. TUC nominations to other com*mittees might* have been vetted in a similar way in the future.

The Home Office would neither confirm nor deny that there were political or social considerations in the first decision by Mr. William Whitelaw, Home Secretary, not to approve the TUC's nominee for the EOC post left vacant by Mrs. Ethel Chipchase, also a member of the TUC Women's Advisory Committee, who has retired.

The change of heart followed a series of communications between Mr. Len Murray, general secretary of the TUC, and Mr. Whitelaw's office including a personal interview.

New bid to save golfball factory

A FINAL *effort to* save the Dunlop golfball factory at Speke, Liverpool, due to close on July 25 with the loss of 230 jobs, has been launched by officials of the two unions involved, the Transport and General and ASTMS.

They intend, with the support of the Merseyside MPs, to ask the Government to consider a tariff on imported golfballs, possibly of 60 per cent.

Nalgo backs retention of road units

By Our Labour Staff

THE GOVERNMENT has been accused of breaking faith with unions in asking private contractors to take over motorway and trunk road work in Warwickshire.

The National and Local Government Officers Association made the *accusation when an*nouncing approval for plans which could lead to road *engineers refusing to co-operate* with the transfer of motorway supervision to private contractors.

Nalgo said its members would be balloted on whether they should co-operate in *handing* over expertise and information on work undertaken.

The union said it was told by the Ministry of Transport that it would be fully consulted over the next three months on *Government plans to phase out* Road Transport Units and sub-units.

Nalgo was preparing a detailed argument in favour of retaining the units

13% offer to NHS engineers rejected

By Pauline Clark, Labour Staff

UNION negotiators for area and district works *engineers with* key jobs in the hospital service rejected a 13 per cent pay offer *yesterday.*

But consultation among union branches will precede a final decision on whether the 3,500 engineers will join other health staff in a possible pay battle with the Government.

The offer would *raise* a hospital engineer or builder's maximum pay to £6,981 and that *of a senior* works officer in a large teaching area to £18,603.

● About 17 employees at the National and Local Government Officers' Association's head office walked out yesterday because an air conditioning system *failed. They said* they would return to work this morning, but how long they stayed would depend on the temperature.

Union post

Mr. Jimmy Hardman, 46, has been elected *assistant general* secretary of the 325,000-strong Union of Construction, Allied Trades and *Technicians.* An executive member, he is regarded as a moderate.

SKINNER ORDERED FROM THE CHAMBER: PM PURSUED ON UNEMPLOYMENT

A day of uproar and accusations

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

MRS. THATCHER must have wished herself back in Venice yesterday amidst the glamour and adulation of the seven nation summit.

Half an hour before she was due to report back to MPs on the outcome of this prestigious event, all hell broke loose in the Commons.

Unfortunately for the Prime Minister, her return coincided with the release of figures showing a total of 1.6m unemployed, the worst situation since the 1930s, according to Mr. James Callaghan, leader of the Opposition.

Determined to make the most of this, Labour MPs temporarily forgot their own internal differences and began to savage Mr. James Prior, the Employment Secretary.

The row came to a head with Left-winger Mr. Dennis Skinner, sometimes jocularly referred to as The Best of Bolsover, being ordered from the Chamber, by Mr. George Thomas, the Speaker, when he refused to stop interrupting Mr. Prior.

The Employment Secretary needled Mr. Skinner by suggesting that he had remained silent over unemployment when the Labour Government was in power.

Angrily denying this, Mr. Skinner pointed an accusing finger as Mr. Prior and dubbed him "Minister for Unemployment."

Amidst general uproar, Mr. Skinner ignored the Speaker's appeals and warnings that he might be ordered from the Chamber.

"What for? What have I done?" he asked innocently. Reluctantly the Speaker ordered Lt.-Col. P. F. Thorne, the Sergeant at Arms, to accompany the MP from the Chamber.

As the Sergeant, in full knee breeches and silk stockings and wearing the traditional sword approached, Mr. Skinner waved him aside dismissively and stalked out.

The Speaker's ruling, which happens very rarely, means that Mr. Skinner is suspended with pay for one day.

With that, employment question time temporarily quietened down with Mr. Prior insisting that the Government's message was the same to everyone—high wage settlements would lead to high unemployment.

"If wage negotiators fail to reach agreement on moderate settlements this year, the country will have to endure unacceptable levels of unemployment," he warned.

His arguments did not seem to cut much ice with Left-wingers. Mr. Eric Heffer (Lab, Liverpool Walton) would not be budged from his belief that high unemployment was an inherent feature of the capitalist system.

The Prime Minister's entrance was rather spoiled by Mr. Jim Lester, Under Secretary for Employment, who, answering a question about factories, referred to the creation of 540 new "Thatchers"—a slip of the tongue which provoked further glee on the Labour benches.

An Opposition chorus demanding her resignation greeted her at the despatch box and throughout question time, and a hour-long drilling on the summit, she was doggedly pursued over the unemployment situation.

Just to stir things up even more, Mr. Bob Cryer (Lab., Keighley) accused Sir Frederic Bennett (Con., Torbay) of "lining his pockets with deals with the Russians."

He said he based his accusation on the fact that Sir Frederic is a director of Kleinwort Benson which had entered into a deal with Mosowe-Narodny Bank.

Loftily Sir Frederic replied that had the accusation come from anyone else, he would have demanded a withdrawal. But he regarded Mr. Cryer with such contempt that he would not waste the time of the House.

Wearily the Speaker observed that there seemed to be "equality of accusations" and members returned to their bickering.

Meanwhile, outside the House, Mr. Skinner was basking in the full glare of publicity. Airily he announced he was returning to "the sanity of the North" but would be back at Westminster today.

No doubt many of those who remained in the Chamber wished they could join him.

Summit proposals 'a recipe for recession'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A FRESH seven-nation summit meeting in six months time was called for in the Commons yesterday by Mr. James Callaghan, the Opposition leader.

He said that the weekend summit which Mrs. Thatcher had attended in Venice was a "tragically missed opportunity" and had not been properly prepared.

He thought that the proposals contained in the final communique from Venice had just been a "recipe for recession and slump."

Mr. Callaghan wanted the Prime Minister to suggest that the Heads of the seven nations should now get their personal representatives working for a summit in six months time.

They should aim at policies "that will deal with inflation in ways that will not increase unemployment." They should ensure also that they have a proper approach to the OPEC countries.

"Twelve months is too long to wait for another summit," he declared.

But the Prime Minister, who was making a statement to the House on the outcome of Venice, rejected the notion. Sharply she said that Mr. Callaghan seemed to believe that he was right and that the other six Heads of nations were wrong.

Mrs. Thatcher emphasised her reservations about the Soviet announcement of some troop withdrawals from Afghanistan. She recalled that the Russians had pulled some troops out of East Berlin in a highly publicised operation shortly before the invasion of Afghanistan.

"We have every reason to be sceptical about the present proposed withdrawal and reserve judgment whether it means anything or whether it was a ploy just because we were sitting in Venice," she said.

Mr. Callaghan asked whether the summit meeting had considered the possibility that Russia was meeting greater difficulty than was anticipated in the occupation of Afghanistan.

There was a possibility that the Soviet Union might mean what is said and was looking for a way out.

On the economic recommendations of the summit he said that priority to reducing inflation could not be accepted without having regard to the unemployment situation.

He suggested that if the Prime Minister really wanted to reduce inflation, then she reduce VAT.

Also, she could ask the gas industry to revoke its recent price increase.

The summit had stressed the necessity of transferring resources to investment. But at the moment, he said, the level of investment in the UK was declining month by month.

Mr. Callaghan welcomed the communique's concentration on the use of coal but he wanted to know how the Government intended to match words with deeds.

Mr. Callaghan referred to the summit's emphasis on the need for Governments to have a dialogue with their "social partners" which he took to mean the trade unions.

He hoped Mrs. Thatcher would follow this up by ceasing her "weekly venomous attacks" on the British trade unions.

In reply, Mrs. Thatcher reaffirmed that the control of inflation was the Government's top priority.

Nevertheless, she rejected the idea of a cut in VAT. This would only put up the need to borrow at a time when Government was already too high.

She said that Britain was the biggest coal user at the summit and that two thirds of our electricity came from coal. The passage about increasing the use of coal was particularly aimed at the U.S. and Canada.

'Toe the line'—Thatcher reminds Cabinet doubters

BY IVOR OWEN

CABINET WAVERERS who doubt the effectiveness of the Government's economic policy were given a sharp public reminder by the Prime Minister in the Commons yesterday of the need to toe the collective line.

It came when she replied to a fierce Opposition onslaught, mounted in the wake of the announcement that the June count showed that the total number out of work in the UK had climbed to 1,659,676, against the rising level of unemployment.

Mrs. Thatcher, who admitted that the position will be looking even grimmer when summer school leavers swell the total, argued that rising unemployment was the short-term price which had to be paid as the nation went through "a period of determined tough policies to squeeze inflation out of the system."

Then, in an unmistakable reference to the doubters on her own Front Bench, she declared: "I believe these policies will work but they must be given time to work and total support."

Mr. James Callaghan, the Opposition leader, won repeated cheers from the Labour benches as he relentlessly pursued the Prime Minister over the growth in unemployment.

Challenging her insistence on the need to give top priority to the conquering of inflation, he stressed that the numbers out of work had reached the highest level since the 1930s.

"How much industry will be left by the time you have conquered inflation?" he demanded.

Priority

The Prime Minister recalled that the words she had used in explaining the priority being accorded to squeezing inflation out of the system were modelled on those spoken by Mr. Callaghan during the period when the last Labour Government advocated a similar approach to solving Britain's economic problems.

To Tory cheers she scoffed: "You were ready to take harsh decisions under the aegis of the IMF — we are ready to take harsh and difficult decisions to prevent the IMF coming in."

As Labour backbenchers called on the Prime Minister to resign, Mr. Callaghan reminded the House that the policies of the Labour Government had brought the annual rate of inflation down to 8 per cent.

Not only had the present Government been responsible for inflation returning to 22 per cent, but in its first year of office unemployment had increased by 350,000—whereas under Labour the numbers out of work had gone down steadily from 1977 for two full years.

Mr. Callaghan accused the Government of complacency and of "throwing away" the improvements achieved by Labour policies.

"You must change your policy," he told the Prime Minister.

Mrs. Thatcher retorted that Mr. Callaghan was relying on selective statistics. She recalled that inflation under the Labour Government reached 26.9 per cent while unemployment had gone up from 650,000 to 1.5m.

Unless inflation was squeezed out of the economy there would be even higher unemployment in the future, she warned.

Pressed by Mr. Callaghan to give some indication of the timescale needed for Government policies to achieve their intended result, Mrs. Thatcher again underlined the importance of wage restraint.

"If wage claims are kept more in relation to increases in output then there will be less unemployment and inflation will fall more quickly," she said.

Replying to questions from the Tory backbenches, the Prime Minister reaffirmed the Government's commitment to ultimately finding a replacement for the present domestic rating system.

Lawson defends new plan

BY IVOR OWEN

ADDITIONAL RELIEF from capital gains tax provided in the Finance Bill for traded options will help the stock exchange to meet competition from Amsterdam and other centres, Mr. Nigel Lawson, Financial Secretory to the Treasury, stressed last night.

He defended the new arrangement in the face of strong criticism from Mr. Denzil Davies, chief Opposition spokesman, in the Commons Standing Committee which is considering the Bill.

Mr. Lawson explained that in future a traded option would not be treated as a wasting asset, thus enabling the full acqisition cost to be allowable in computing the gain or loss which arose on disposal.

The change applies to options abandoned or otherwise disposed of after April 5, 1980.

Mr. Davies argued that the change was a direct result of pressure exerted by the City and that there was no real justification for it.

The clause embodying the new arrangement was approved by 17 votes to 13.

هكذا من الأصل

Richard Evans on the Glasgow Central by-election

A likely win for Labour

GLASGOW CENTRAL, which goes to the polls in a by-election tomorrow, is a constituency that confirms all the outsiders' prejudices about the city.

Demolition appears to be the only thriving industry and it has left masses of derelict sites and decaying tenements. Canvassers, armed with the latest electoral roll find not just that they can't check down the odd voter, but their entire streets have disappeared.

Here, the bulldozer and the bonfire are king as efforts are made to rejuvenate what is perhaps the most socially deprived inner city area in Britain.

On the face of it, it's a walk-over for Labour and that is almost certainly what will happen.

In the May local elections, two of the four wards which make up the constituency returned Labour councillors backed by 90 per cent of the votes.

It is second nature to vote Labour and breaking this habit is the forlorn task of the Conservatives, the Scottish Nationalists, and four fringe candidates.

The seat, the smallest in Britain, with an electorate officially put at 19,000 but now probably nearer 16,000, is Labour's fourth safest.

It will almost certainly disappear under Boundary Commission recommendations before the next election and Mr. Bob McTaggart, Labour's candidate, seems destined for a brief Westminster career. He was agent at the last election to Mr. Tom McMillan, the veteran MP whose death caused the by-election.

Mr. McTaggart lives in the constituency, works as a pipeline planner at Govan Shipbuilders, and knows the area's manifold problems intimately, but he is unlikely to shine on the national stage. He is straightforward, non-ideological and left of centre.

Labour, anxious to boost morale with a resounding win, has been anything but complacent. An impressive list of stars has been drafted in including Mr. Denis Healey, Mr. Anthony Wedgwood Benn and Mr. Roy Hattersley. The tactic has been to encourage working-class antipathy to Mrs. Thatcher and her policies.

But to succeed, they need a good turnout to register both support for Labour and the strongest disapproval for the Tories. There is little sign of this happening and the percentage of the tiny electorate that bothers to vote could be depressingly small.

In contrast, the Conservative candidate, Mrs. Anna McCurley, highlights the 30 years of neglect of inner Glasgow by successiv elocal Labour groups.

She has tried in what has been a low key campaign to concentrate on local issues, of unemployment—over 20 per cent or twice the Scottish average—housing, and regeneration. It is hardly the Ipace to peddle Mrs. Thatcher's national economic policies.

She is probably the ablest and certainly the most personable of the candidates and deserves a better chance next time. A 37-year-old regional councillor and lecturer, she fought impressively at West Stirlingshire at the general election but she could come a poor third in Glasgow because of the undoubted unpopularity of Government policies.

The result is possibly more important for the Nationalists than for any of the other candidates as it is the first by-election in Scotland since the general election when the SNP were humiliated by the loss of nine of their 11 MPs.

They are desperately looking for signs of a revival. Their candidate, Mr. Gil Paterson, is a local paint firm owner and former regional councillor. He is running a colourful and active campaign reminiscent of the heavy days of the Nationalist revival in the early 70's but the constituency does not provide fertile soil.

The SNP trailed a poor third at the general election with 11 per cent of the votes against the Tories' 16 per cent.

His best hope is for a good second place rather than for a repeat of Margo MacDonald's sensational by-election win at neighbouring Govan in 1973 which still sends a chill through local Labour officials.

In a campaign that has scarcely caused a ripple in the city, the four fringe candidates have been virtually invisible.

The Scottish Liberals decided not to fight officially but Mr. Graham Watson, Young Liberals' vice-chairman and a local college administrator, is standing to gain experience.

Mr. John Mackenzie, a Renfrew factory manager, is standing for the National Front although the party has disowned him and he has not been seen locally.

Mr. David Mellor, the bearded keeper of Natural History at Paisley Museum, is the Ecology Party candidate.

Mr. Tony Kean, a barrister, is fighting for the recently formed Manchester-based Social Democratic party which has nothing to do with Mr. Roy Jenkins, Mr. Dick Taverne or any Right-wing Labour MP, but which hopes to benefit from a future Labour split.

There is little doubt who will win the by-election and such a foregone conclusion has taken some of the interest away from the quiet contest.

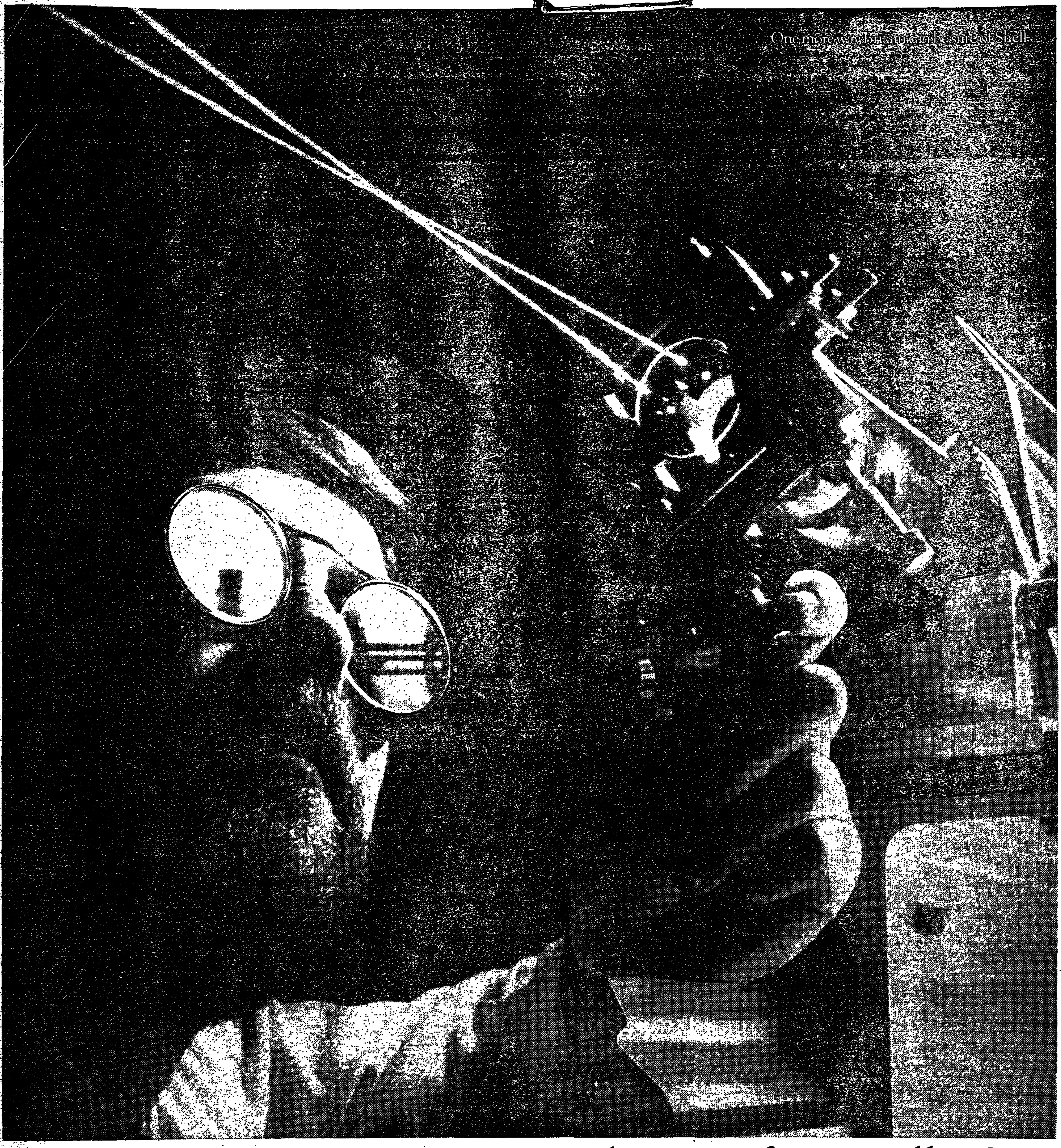
But the result will be awaited with interest firstly to see whether the Tories are relegated to third place and possibly lose their deposit, and secondly whether there could be the first glimmer of a revival for the Nationalists at a time when oil revenues are going up and public spending in Scotland is declining.

In addition, Labour can hardly claim a triumph if less than 50 per cent of the electorate bothers to vote when they have deliberately set out to marshall the anti-Thatcher forces.

Candidates: Robert McTaggart (Labour); Anna McCurley (Con); Gil Paterson (SNP); Graham Watson (Young Libs); David Mellor (Ecology Party); John Mackenzie (National Front); Tony Kean (Social Democratic Party).

General election results: T. McMillan (Labour) 8,542; F. Saleem (Con) 1,937; S. Bird (SNP) 1,308. Labour majority 6,605.

Glasgow Central by-election candidates (top to bottom): Anna McCurley, Conservative; Bob McTaggert, Labour; Gil Paterson, SNP.



How can we squeeze more miles out of your gallon?

Shell's laser 'eye' reveals some secrets.

Dr. Martin Swords, Shell Scientist, Thornton Research Centre.

"One of the biggest problems in engine design is finding out just what's going on inside while the engine's running.

Engineers have long known that the turbulence of the petrol mixture and gases swirling inside the cylinder has an important effect on performance – but the difficulties of measuring the characteristics of a gas cloud which explodes about every 12 milliseconds, reaches 1500°C and is locked away inside thirty or forty pounds of metal, have proved insurmountable until now.

We are now able to drill holes in an engine cylinder, insert thick quartz windows and punch laser beams through the gas clouds as they mix and burn.

Using this technique we can work out the turbulence and the velocity of the gases. Engineers and scientists can use this data to improve both the cylinder geometry and the chemistry of the fuels.

Since we estimate that this new information could help to bring about fuel economy improvements as great as twenty per cent, it is a development of some consequence.

If you think of the difference such a saving would mean to you, it's easy to see why we think this work is so important."

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

Brassfounders bare their teeth

THE UK brassware industry is under serious threat from imported merchandise, primarily Italian, which can often be as much as 30 per cent cheaper than home-produced products.

The men who make kitchen and bathroom taps and related fittings, brassfounders, say that this erosion of their domestic market is also having an effect on employment prospects in *their industry.*

In a booming market, UK home producers' sales have actually fallen while imports have risen by 188 per cent in, for example, bathroom and kitchen taps, and in the year 1980/81 something like 800 jobs will go to the wall.

There is nothing wrong with British brassware—indeed, it is as good as if not more superior to anything available in the international market place. It holds its own in design and fabrication, remains with or ahead of changing trends, yet cannot fight against a flood of Continental fittings whose share of the UK market may well result in the closure of plants at home.

Watchdog body—National Brassfoundry Association—says that it has evidence that British design improvements are followed and copied (but not anticipated) by foreign producers. Also, that there is a deliberate concentration by foreign rivals on UK markets, but many imports lag in performance behind their British counterparts.

More important, pricing policies appear to relate to the displacement of UK production rather than to commercially more normal criteria. The effect, says the NBA, will inevitably weaken and eventually destroy the technically competitive position of British producers.

At a meeting at the House of Commons this week, the brassfounders gathered to lobby MPs, air their grievances, and bemoan the success of their Continental rivals.

Perhaps the NBA protesteth too much . . . there was no whisper of positive action from its members . . . more a cry for protection from the Government's Euro representatives.

It would seem that the British brassfounders haven't an inkling why their wares are being superseded by Continental cunning, nor are they able to name Italian, Portuguese and German sources from which UK merchants are receiving supplies.

Because it is most unlikely that the Italian government is subsidising its own brassware industry, there must be a more sinister explanation why the prime culprits—the Italians—are undercutting the UK market.

One MP (who held his hand over his name label) suggested to me that the Italians themselves are importing castings or materials—perhaps finished products—from countries outside the EEC. Yugoslavia and Romania in particular.

The past five years (during which 2,000 jobs have been lost) have pointed to the present disaster in UK producers' markets for bathroom and kitchen taps, shower fittings, radiator and other plumbing valves. Low price imports must be stopped if the industry is to survive. Against non-commercial pricing (however it may be supported) the UK industry is ultimately powerless.

The National Brassfoundry Association accepts the free trade objectives of the European Community but it questions whether they can be achieved by methods which distort markets, frustrate technical endeavour and destroy incentive. It also seeks a full and objective examination in the spirit of the Treaty of Rome of the situation now facing one of this country's oldest industries.

DEBORAH PICKERING

● ENERGY

Buildings controlled

MICROPOWER 2000 is the name of the latest development from Transmitton (a BICC company) in which it becomes possible to monitor and control the energy consumption of a number of buildings from a central point while basic day-to-day control remains vested in local equipment.

The central station is linked over telephone lines to microprocessor-based outstations in each building under control and these supervise normal timed switching actions, optimised start and stop of heating according to indoor and outdoor temperatures, sequencing of boilers and so on.

However, if faults occur or parameters go out of tolerance, the outstation will automatically dial up the central station which will print out a message, allowing an operator to take suitable action. The outstations can also report on a regular basis (daily or weekly) on energy usage in the buildings, transferring the data to a mainframe computer if required for further analysis.

From the central point it is also possible to re-program the outstations, adjust set points and alter switching times over the phone line.

An option is also available which will enable authorised personnel at the remote sites to key in data for central station print-out, in addition to that normally sent.

The company believes that Micropower 2000 will be valuable both to multi-building operators and to building services bureaux wanting to offer energy management.

Even where modern controls are already installed in buildings, Transmitton feels that greater savings can be made by central control. For example, in the event of a fuel shortage, the central station could drop the temperature of all the controlled buildings. A drop from say 68 to 66 deg.F with a 48 deg.F outside temperature would result in a saving of about 10 per cent in fuel says the company.

Other benefits include immediate notification of breakdown, better planned maintenance, prevention of unauthorised adjustments, and if neded, centralised fire and security facilities.

The company says it already has three orders in hand for county councils for control of schools.

More from Energy Division, Transmitton, Smisby Road, Ashby de la Zouch, Leics. (05304 5941).

● PROCESSING

Powder route to super steel

THIS AUTUMN, ASEA will build a plant at the steel mill of Surahammars Bruks AB for the production of billets and semi-finished products of alloy steels for subsequent hot forming

Production will be based on a new powder metal (PM) process, the "stamp" process, where the raw material is formed by gas atomisation into powder, which is then consolidated into homogeneous material. Both the gas atomisation and the consolidating are new techniques that have been developed by ASEA in co-operation with Surahammars Bruks AB, an ASEA Group company

Compared with conventional ingot moulding, PM steel is free from segregations and considerably more homogeneous. In addition less material is consumed in the production of billets. The improved economy of the new process will make it profitable to produce high- and medium-alloy steels such as heat-resistant steels stainless steels and tool steels.

In the early 1970s ASEA developed together with Stora Kopparberg's Söderfors Works (now Uddeholm Tooling) the ASEA-STORA Process for producing high-strength high-speed steels (ASP steels) by means of gas atomisation and isostatic pressing in ASEA's Quintus presses More recently ASEA has supplied to Uddeholm Nyby AB a gas atomisation and press plant for the production of stainless steel tubes from powder.

The Stamp Process is a result of continued development work. Steel powder has been successfully produced according to this process in a full-scale experimental plant at ASEA, Västeras. This powder has been subsequently pressed and further processed at Surahammar, where billets of very high quality have been obtained.

Both ASEA and Surahammar consider that Stamp will be of great importance and that this new process will have a considerable potential for the steel industry in general.

ASEA, Fanum House, 48 Leicester Square, London WC2H 76Z 01-930 8411.

Plasma flame blasts the ore

WHILE ASEA and Surahammars Bruks AB have sought to achieve quality improvements in high duty steel by the application of advanced technology, Sweden's SKF Group has used modern techniques derived from space engineering, including plasma heating, in a bid to reduce the cost and complexities of producing crude iron as a preliminary to steelmaking.

Reductions in capital cost made possible by the SKF work are of the staggering order of 50 per cent with production costs cut by some 20 per cent. More important still for the many countries whose steel industries have been reeling under sharp competition from low-cost producers is the fact that the above reductions can be achieved with plant producing ¾m tonnes a year of crude iron and costing some £19m compared with blast furnaces producing 2m tonnes annually and costing around £380m.

Further major advantages of the new method are that the process can be integrated into existing blast furnace structures: that almost any readily available fossil fuel can be used as an energy source: that fuel consumption is cut by one-third as compared with a blast fur*nace and exhaust emissions are* reduced by 95 per cent.

Essentially, the process consists of passing a gas between the two electrodes of an arc heater. The arc fans out in the gas stream and the gas is brought to very high temperatures, ranging from 3,000 to 10,000 deg.C., so that it ionizes, i.e. it is converted into a plasma.

The quantities of energy that can be transmitted to the gas are very high, while the energy losses within the generator are very small. Moreover, oxidising gases as well as reducing gases can be heated with the same efficiency and without any change in the composition of the gases. These characteristics of the plasma generator are of special importance in the making of iron.

SKF has developed a reduction process known as Plasmasmelt, in which it is possible to go directly from the ore concentrate to molten crude iron. This totally eliminates the coke oven plant, sinter plant, blast furnace chain.

Plasmasmelt has been designed as a continuous two-stage process pre-reduction and smelt reduction and demands 25 per cent less energy consumption than does a conventional blast *furnace* and very little in the way of peripheral equipment.

Where existing blast furnaces are rebuilt to incorporate the Plasmasmelt technology a resultant 300 per cent increase in output from the same shaft can be expected.

The environmental advantages of the SKF steel process are considerable. The desulphurisation plant normally required for crude iron is eliminated. Exhaust gases are drastically reduced and the volume that remains is so composed that it does not require washing—all factors which also represent capital savings.

With its development of the Plasmared sponge iron process to the point of production and pilot studies and trials of the Plasmasmelt technique completed, SKF Steel is now applying for government aid to take its invention to the production stage, with a half-scale plant producing some 50-60,000 tonnes of crude iron per annum. Construction and development costs are expected to amount to approximately £11m and to be completed in some three to five years.

SKF Steel, Newport Pagnell, Bucks.

● IN THE OFFICE

Word processor given new capabilities

OFFERED ORIGINALLY as microprocessor-controlled daisy wheel printing terminals, the Multiwriter 3 machines have been further improved to provide enhanced word processing facilities—many are already used for that purpose.

Called Super Multiwriter STD/1 and WP/1, using plastics and metal print wheels respectively, the machines have now been equipped with automatic underlining without backspacing, shadow printing and bold printing—all invoked by two character commands.

These machines also have proportional spacing, margin justification, automatic centreing of headings and single line editing.

Forms, technical reports, specifications, letters and multipart forms are within the machine's abilities and simple graphics are reproduceable by allowing carriage and print head to move independently. More from Teleprinter Equipment, Akeman Street, Tring, Herts. (044282 4011).

● PERIPHERALS

Display is highly legible

IN AN alpha-numeric display panel from Cherry Electrical Products, Coldharbour Lane, Harpenden, Herts AL5 4UN (05287 63100), each of the characters can be formed by up to 14 bar segments instead of the usual seven, giving half inch high very legible characters that can be read easily at 25 feet (7.6 metres).

Available in 16 and 20 character forms, the panels are ASCII compatible and need no initialising routines; they can be connected to most equipment, whether it is computer controlled or not.

The displays, called Plasmalux, are self-contained, complete with all microprocessor-controlled circuits such as drivers, memories, buffered input/output, serial interface character generator and DC supply. They are completely addressable with 19 ASCII codes and these control 19 built-in display codes by software.

There are various line-writing modes and horizontal scrolling, five levels of brightness capable of adjustment by ASCII control, and a cursor facility. The 20 character model is about 12.4 inches long overall.

● MATERIALS

Nails made of nylon will match

NYLON NAILS for use in furniture making, caravan and boat building, and other industries are being marketed by Forpak of Romsey, Hampshire. (0794 515522.)

The nails which are available in several sizes and colours, are claimed to be as tough as ordinary nails yet only half their weight. They can be used in place of conventional brads and, of course, they cannot rust.

Available in white, buff, red, blue and black, they are virtually invisible when used with some materials. Their non-corroding qualities makes them useful in the manufacture of outdoor furniture and for fixing plywood skins to boat hulls. As they are non-magnetic the nails can also be used in the assembly of electronic equipment.

The nails are available in strips of 80 in 10, 12, 15, 20 and 22 mm sizes and are devised for loading into a hand-held nailing tool which drives each one into the work piece as quickly as the tool can be located and fired.

Forpak is also marketing a lightweight pneumatic hand tool for firing staples in the upholstery trade. It can work on half the normal factory compressed airline pressure—40 instead of 80 psi.

● COMMUNICATION

World links to double

NEWLY COMPLETED an Arthur D. Little world telecommunications study projects more than a twofold increase in the worldwide telecommunications equipment market by 1990.

With Asia setting the pace, the world market will grow from an estimated $40bn in 1980 to about $87.5bn (constant 1979 dollars) by the end of this decade, at an annual rate averaging 8.5 per cent.

The international consulting firm predicts that the Asian region will grow from 1980's estimated market of $10bn to $27bn in 1990, a rate of growth well above the world's average.

The Asian spurt will come chiefly from heavy capital investments planned by five countries, the USSR, Japan, Korea, China and Turkey. An earlier Arthur D. Little world telecommunications study released in 1970 had accurately predicted the current worldwide $40bn market.

Included in the four-volume Arthur D. Little report is the *first English language survey of* the Russian market, which points out that the USSR currently accounts for one-third of the Asian telecommunications equipment market. The $3.5bn size of the USSR market is partly obscured by the fact that much of the equipment is obtained through barter with Eastern European countries.

Somewhat behind U.S. developments in television via satellite, the USSR is following a similar pattern of installing hundreds of receive-only earth stations. These are primarily for service to remote communities. In another comparison made by the Arthur D. Little study, there are about 20m telephones in the USSR for an estimated population of 268m versus 175m telephones in the U.S. for a population of 224m.

With about 30 per cent of the world telecommunications equipment market by 1990, Asia will have surpassed the European region and be second only to North America in size. The study points out that, in some cases, the country representing the largest market within a region will be displaced by another country in 1990. For example, Russia will replace Japan as the largest market in Asia.

ADL is at 25 Acorn Park, Cambridge, Mass 02140, U.S.

● TEXTILES

Feeds the yarn without jerks

OVER THE past two decades the speeds in weaving textiles has been rising to levels that, a few years ago, would have been considered to be astronomical. This has been made possible mainly because of the rapid development of shuttleless systems that no longer require a flying shuttle in which a tiny package of yarn is carried to and fro across the fabric width.

But with these increases have come other problems, one of which is the comparatively simple one of taking yarn from a large supply package mounted beside the loom and feeding it to the weft carrier which may be a tiny projectile, a rapier or even a fluid jet.

As the weaving process is intermittent the need for a weft supply is also intermittent and it has to be withdrawn in sudden surges so that as it is dragged over the end of the supply package the yarn generates a balloon. In so doing the drag of the surrounding air varies the tensions on the yarn and can lead to uneven fabric production.

A number of different systems of feeding weft yarn have been developed and are now being fitted to high-speed weaving machines. Newest development in this area is the TMT 80 by TechnoMatex, Switzerland (British agent: Devoge and Co., Manor Road, Droylsden, Manchester M35 6PG. Tel. 061 370 1247).

Effectively it is a compact special AC motor which operates with constant torque. The unit constantly withdraws yarn from the supply package and winds it round a tiny capstan from which it can then be released into the loom as and when required and with a minimum of tension. It has been designed to handle the finest filament synthetic yarns through to very coarse-spun yarns at winding speeds from 50 to more than 1,200 m/min.

If the yarn being used for weft changes the direction of twist from say "S" to "Z" then, merely by throwing a switch the direction of the unit is reversed.

The TMT 80 can be used on all types of shuttleless looms from one to eight colour weft selection and it may be provided with a simple waxing device if the yarn needs this treatment.

Already three British weavers are running the weft feeder units on looms in their commercial plants where evaluations are being made.

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FINANCIAL TIMES SURVEY
Wednesday June 25 1980

FOUNDRIES

The cutbacks in industrial production, particularly in car manufacture, have forced the foundry industry to contract, but bold investment in new plant and techniques is putting shrewd companies in the best position to meet a future upturn. Demands from specialist customers for higher levels of accuracy are resulting in wider uses for castings.

Reform to beat the gloom

By Roy Hodson

BRITISH FOUNDRYMEN are *showing considerable resilience* in the face of industrial recession, the contraction of many of their traditional markets, and the Government's evident determination that the industry must work out its own salvation without any more state help.

Foundries are continuing to go out of business in Britain at a rate of roughly one each week, with the iron foundries and the steel foundries the two sectors worst affected. The total number of people employed in ironfounding fell last year by about 5,000 to 72,000.

But investment is continuing in the industry. The companies most determined to stay in the business are securing their futures by investing in new facilities and new techniques. They believe that they are better prepared than ever before to meet future upturns in demand.

The industry is now settling into a pattern of rationalisation and reform that will result in a smaller volume of castings business in the 1980s and 1990s—perhaps only about 75 per cent of recent levels—and handled by a much smaller number of companies and foundry installations than at present.

In some areas of the industry which are developing novel techniques, expansion is continuing at a rapid pace even as many other foundries are contracting because of declining industrial demand.

Mr. E. Green-Spikesley, secretary of the British Investment Casters' Technical Association, estimates that his 30 British member companies are currently handling about £100m of business annually and that the investment casting method is "entering a period of rapid growth."

The success of that sophisticated casting system lies in *rising demand from the aerospace* industry, the electronics industry, and other users of high-value components for castings that are made to much higher levels of accuracy and finish than has been traditional in the foundry industry.

In other sectors of the industry companies are successfully diversifying into new techniques and new markets. They are investing their way out of trouble in a number of cases.

But the foundry industry suffers from one essential weakness. As its primary role is to supply components for other makers of finished products its fortunes are largely governed by the manufacturing and sales performance in other industries.

Thus the foundries in Britain have followed inexorably the downward trend of industrial production as a whole. In consequence last year saw a drop in iron castings output for the sixth successive year.

In recent months the steel strike has had a disruptive effect on foundry activities and industrial performance generally. But the biggest single difficulty for the foundries has been, and is, the crisis in British motor manufacture.

Increased imports of foreign cars raised their share of registrations in Britain to 56 per cent by early this year and the foundries have continued to lose key business from the automotive industry as home production has declined.

The overall picture last year for the foundries was a 13 per cent decline in production for British cars and a 6 per cent increase in production for commercial vehicles. Total demand for automobile castings by the British automotive industry was 900,000 tonnes compared with more than 1m tonnes a year on average in the early 1970s.

There is little cheer from other market sectors either. The combined engineering industries raised their output by 1 per cent last year but more recently the sector's demand for castings has been falling again.

Realistic

During the last five years a number of foundries have found assistance in the Government schemes (launched by the last Government) for helping both the ferrous and the non-ferrous sectors. The object of the schemes was to encourage foundries to take a much more realistic view of where their businesses ought to be developing, and the kind of capital investment they should be embarking upon to stay in production.

The schemes sought to promote new investment in suitable equipment, coupled with securing improved working conditions, and they also looked for the adoption of the most efficient working practices.

A criticism made of the schemes is that they have inevitably created new capacity in an already over-large industry. But it is also true that they have encouraged valuable new investment in modern capacity to the tune of more than £300m at a time when large parts of the industry might otherwise have preferred liquidation to modernisation. The price to the country has not been high—£34m so far to the ferrous foundries in grants and £7m to the non-ferrous ones.

The foundry associations and the National Economic Development Council foundries economic development committee have been much concerned during the last few months about the extent of restructuring that should take place in the industry in the next five years or so following the foundries' rundown of the 1970s and the application of the aid schemes.

The Council of Iron Foundry Associations has suggested that output of iron castings in Britain could fall from 2.7m tonnes in 1978 to 2.4m tonnes or less in 1985. The Steel Castings Research and Trade Association, for its part, believes that its hard-hit members could be producing between 150,000 and 190,000 tonnes of castings a year by 1982—a decline of almost one-quarter from the levels of the late 1970s. Indeed, of all the sectors of foundry activity in Britain, the steel foundries have been the most severely affected during the last three years.

There have been moves to press the Government for rationalisation schemes for the foundries which would provide financial assistance to cushion closures. But the Government believes that market forces are already producing a rapid rundown in capacity which makes intervention unnecessary.

Although the main non-ferrous sectors of the British foundry industry—including aluminium, brass, and zinc—also have problems associated with levels of demand and changing market patterns, they are not so severely affected as the ferrous foundries. Considerable developments in aluminium castings production are forecast worldwide as the automobile industry turns to lighter materials for fuel economy.

The trend is not yet clearly discernible in Britain. But the aluminium producers are generally optimistic that they should win business from the ferrous founders in the years ahead.

However, there was great relief in the aluminium foundry sector less than a year ago when BL decided not to go ahead with a new £25m aluminium foundry at Leeds to make its own engine castings. The aluminium founders argued strongly that they have ample capacity available to meet the motor industry's demands without a custom-built new foundry.

Alternative

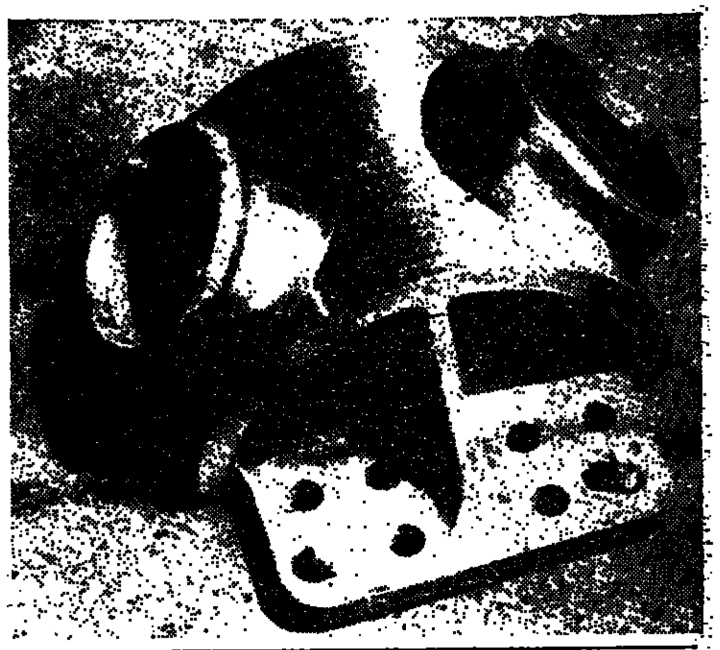
With an estimated fall in demand of the order of 20 per cent for aluminium castings in Britain over the last seven years, the aluminium foundries can handle a great deal more business than they are getting.

In a recent statement on the future for foundries in Britain, the "little Neddy" points out that the competition being faced from abroad is strong and varied. "It includes efficient foreign foundries, low cost foundries in the Far East, and alternative processes such as fabrication." The report also emphasises that imports of castings into Britain constitute a growing problem.

The committee appears to be reaching agreement on the general strategy that must be adopted in Britain over the next five years to preserve a strong foundry sector. The impression is that the ideas of the 1970s, that assistance *must be* Government-backed to be effective, are being replaced by the view that self-help and strong discipline by both management and work forces will be the most effective form of medicine in the 1980s.

The small craft foundries that have suffered so badly during the past few years pose a special problem. The NEDC has recently reported on their difficulties and suggested a way ahead for them. The main conclusion is that the small craft iron foundry provides an essential local service to the engineering industry, particularly for "one-off" and prototype castings. Industry is urged to recognise that it must pay a premium for that sort of service.

The theme of the small craft foundries report is likely to be repeated when the problems of the main-stream foundries are publicly aired. If British industry wants to continue to be serviced by a strong foundry sector it will have to support its suppliers with adequate prices and a steady flow of orders.



Castings were used in an unusual way in the construction of Bush Lane House, in the City of London. The building "hangs" from a welded latticework of stainless steel tubes joined by nodes, also stainless steel castings (below), which each measure about 15 inches across

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Aid schemes cost £41m

THE GOVERNMENT scheme for assisting the modernisation of ferrous foundries which was launched in 1975 comes to an end in August. The non-ferrous foundries scheme, which started in 1977, will end in March, 1981.

By the time both schemes are formally closed they will have generated new investment of more than £200m in the ferrous foundries and more than £100m in the non-ferrous foundries. Four-fifths of the money is coming from the foundries themselves, with the Government expected to contribute some £20m towards the non-ferrous schemes and about £40m towards the schemes for the ferrous foundries.

The background to the schemes goes back as far as 1973, when the NEDC took a wide-ranging look at the British foundry industry and was concerned at what it saw. The highly cyclical nature of the industry, coupled with a long period of overall decline, was recognised. The fact that the foundry industry is also to a large degree a prisoner of the remainder of manufacturing industry when it comes to setting sales levels was also taken into account. The two schemes were devised as a form of Government intervention to help put the foundries back on course.

In the event the decline in castings demand has been even more serious than what was predicted by the worst forecasts of the mid-1970s. The schemes have had the effect of encouraging a certain amount of new capacity into being and so increased the competitive atmosphere for the industry as a whole, which was not the intention of either. But it was an inevitable outcome. It is almost impossible to spend money on foundry improvements without cutting out bottlenecks and increasing capacity.

The latest figures for the ferrous scheme show that 224 iron foundries have taken advantage of it, along with 33 steel foundries and 14 mixed production foundries. Some £34m has been paid out by the Government. It is expected that a further £6m or so will be paid as another 50 schemes are processed by the Department of Industry.

Appraisal

Potential Government assistance available amounted to £79m. But as the serious state of the foundry trade crisis became clear, a number of companies withdrew their plans to take advantage of the scheme. Even the prospect of a 20 per cent Government grant did not warrant the spending of new capital upon foundry capacity in the opinion of those firms.

The appraisal of applications under the non-ferrous foundry scheme is also complete. The 271 schemes that have been approved represent total capital investments of some £100m-plus involving potential assistance of more than £20m. So far payments of more than £7m have been made. The scheme is expected to cost the Government about £20m finally.

The very act of preparing cases for Department of Industry consideration under the schemes has enabled a great many foundries to come to conclusions about where they are heading. Following first applications appraisals have been made of all applications by officials and external consultants.

Many schemes were turned down and some foundries withdrew as the economic climate became harsher. But supporters of the schemes in Whitehall express their satisfaction at the way things have gone. They point out that, at the price of some new capacity appearing at an embarrassing moment in the British foundry industry, a £300m modernisation programme has been achieved which will give the industry a far firmer base for competition with foreign foundries from now on.

One certain result of the schemes is to reduce substantially the likelihood that a bottleneck in British Foundry production will hold up industrial recovery when the next boom arrives. Shortfalls in castings production in the early 1970s first alerted the Government to the foundries problem, for they prevented industry from expanding as quickly as it wished.

Clearly some of the schemes now approved by the Government will be at risk during the next couple of years if the outlook for foundries remains bad. But it is likely that most of them will go ahead as planned.

Another useful feature of the schemes is that they have forced some big manufacturing companies to examine for the first time in their lives whether they really need to have their own "in-house" foundries, or whether they could be supplied from outside more cheaply without losing any efficiency.

The fact that one-third of the steel foundries have elected to take part in the Government scheme indicates that a hard core of that battered sector of the foundries business is determined to stay in the hunt. Some British steel foundries have benefited temporarily because environmental restraints in the United States have hampered steel foundry output there. But it is becoming increasingly apparent that the steel foundries in Britain which do intend to survive will have to sell on quality, and to move their trade up market towards products with high added value.

EMPLOYEES: OUTPUT AND COSTS

	1974 £	1976 £	1978 £
Gross output per employee	6,928	10,899	13,161
Gross added value per employee	3,071	4,480	6,176
Average shop-floor worker's wage	2,110	2,995	3,961
Capital spending per employee	243	511	629

The latest national study of a section of the foundries industry is the recent report by the small craft foundries working party, Neddy to the Foundries Economic Development Committee.

The working party found that small craft foundries need special attention because their problems differ both from those of other small companies and those of the bigger repetition foundries. They suffer from extremely cyclical profitability, they have special environmental problems and they must invest large amounts relative to their turnover.

Added value

The main conclusion is that small craft foundries in Britain do provide an essential local service to the engineering industry, particularly for one-off and prototype castings.

The principal recommendations of the report on the small foundries include the following points:

- Foundrymen should concentrate on adding value to the castings they already sell. They should not rely upon selling a greater volume of castings in the future. To that end they should improve their costing procedures and their productivity, reduce their operating costs, and set realistic prices to reflect the premium that the skill-intensive craft castings should command.

The foundrymen are also recommended in the report to make sure that they are not over-dependent upon too few customers; to ensure that they have sufficient management cover for the present and the future; and to take a realistic view of their present profitability and future investment requirements to see whether they can afford to stay in business.

- Trade Associations are recommended to take a more active role in representing the small craft foundry sector to the outside world and to give priority to assessing the industry's support for co-ordinating the timing of price increases.

The report also suggests that the Government might introduce, via the Inland Revenue, a capital loan scheme and an extension of the carry-back of tax rebates in order to help small foundries overcome problems arising from their extreme fluctuations in profitability.

Finally, the working party on the small foundries recommends that customers review their policy for purchasing craft castings. It is suggested customers should recognise that they must pay a premium for craft castings or face increasing difficulties in getting a prompt and reliable service.

Roy Hodson

Further slump in aluminium sector

THE DECLINE in output of aluminium foundry products which has been going on since the peak year of 1973 has been continuing, after appearing to stabilise in 1976-77. The world-wide recession in the automotive industries, coupled with the reprogramming of supplies by the multinational companies indicates that this year the decline would be even steeper. It is already being heralded by lay-offs and widespread short-time.

In the past two years alone consumption of castings has dropped by about 20 per cent to just over 100,000 tonnes (in 1979). This compares with more than 146,000 tonnes in 1973. This is in spite of a steadily-increasing use of light-weight aluminium components in cars to improve fuel consumption by lightening the overall weight.

Potential

Currently the weight of cast aluminium components such as complete engines or cylinder heads, transmission housings and many smaller items in continental cars is around 37 kilos. The average weight is forecast to increase to about 45 kilos in the next five years, with the UK making up ground to nearer 40 kilos but still trailing.

The figures have been produced by Aluminium Pechiney, which for 1985 has considered the further potential for substitution of existing components such as disc brake calipers, master cylinders, manifolds and so on by cast aluminium components.

The trend towards aluminium cylinder blocks as well as heads is a reflection of the now almost universal use of front-wheel-drive for small and medium size cars, as well as the maturity of the foundry techniques for making them. It has perhaps gone furthest at Renault (only the 4 and 6 models have iron blocks) though Peugeot is catching up. Volkswagen is understood to be moving to aluminium for its Golf and Polo models and Fiat uses aluminium cylinder heads. In the UK aluminium for engines is confined to top of the range models like the Rover, Aston Martin, Rolls-Royce and Lotus.

It had been expected that the BL Mini Metro would have used an aluminium engine in due course, but this now looks unlikely since £30m has been spent on modernising the "A" iron engine production line. Certainly BL's projected aluminium foundry expansion at Leeds indicated a big extension in the use of the metal. It would have added 7,000 tonnes to BL's existing Leeds output of 6,000 tonnes.

It will be recalled that the £25m project aroused the bitter hostility of the aluminium foundry industry, which regarded the plant as building capacity which could only result in cuts of orders from traditional suppliers, though BL denied this.

The company said the new plant was needed because projections showed that even if BL's car volume remained static, usage of aluminium for engines was likely to go from 20,000 tonnes to 28,000 tonnes. The project has been shelved after BL failed to find either a UK or overseas partner for it.

This is perhaps just as well, for while the use of aluminium in vehicles points to a steady expansion, in terms of volume the UK trend is continuing downwards. In common with the rest of the component supply industry, aluminium founders have lost half their market to imported cars. In addition, there is another considerable percentage of "British" cars imported from Europe, such as the Ford Ghia and Granada models, some Fiestas from Spain, and Vauxhall Astras and Royales from General Motors continental plants.

There also has to be taken into account the assembly of Talbot cars, still with a high French content, the Vauxhall Cavalier and Carlton from mainly German sources and the new Bounty which BL will start assembling in 1981 chiefly from Honda-built parts.

Even though aluminium castings from the UK will be entering many European cars in some form or other, the policy of the multinational vehicle companies to dual and treble sources has tended still further to attenuate the market. For instance, the new Ford Escort (codenamed Erica) due to be launched in the near future, will have a substantially aluminium cylinder head. Two British suppliers might previously have hoped to have shared the contract, but about 40 per cent, perhaps more, of the business is being placed in Italy with Fiat.

USE OF ALUMINIUM CASTINGS IN CARS
(Average weight in kilos)

	1973	1978	1985
France	32.4	37	45.4
West Germany	31	33	44
Italy	35	37	44.5
United Kingdom	27	31	40

Source: Aluminium Pechiney.

With the truck and tractor markets concurrently contracting, those aluminium founders for whom the automotive market represents up to 80 per cent of turnover are preparing for a bleak time which appears now to have no relieving moments. Even when they look at the dtomestic appliance market, a considerable user of light alloy castings, the outlook is discouraging as one maker after another of washers, fridges and vacuum cleaners announces short time or redundancies.

Since such decisions are not usually taken until stocks are unwieldy, many founders are wondering how long they may have to wait for orders after demand has again recovered.

In short, there have never before been quite so many uncertainties, so many corners still to be reached and turned. However, the gloom is not entirely unrelieved, even where the automotive and domestic appliance industries represent more than 60 per cent of turnover. Most companies also supply buoyant industries: communications and aircraft, defence and avionics, or they may supply castings for North Sea oil operations, land-based or on platforms.

Much of this, and defence work essentially, demands the highest possible standards of quality and accuracy. For some highly-specialised products only one or two foundries in the country (and no more in Europe) have the necessary facilities.

The emphasis these days is on techniques that will telescope the number of processes between raw material and finished product to offset escalating labour and machining costs at the customer's premises. And preferably at no greater cost than the superseded techniques.

This is being accomplished partly by a swing to investment casting for intricate shapes designed to very tight tolerances. This is the process, basically many hundreds of years old, in which a wax replica of the component is made in dies and given a ceramic coating. When ready the wax is melted out and replaced with metal. The coat is then removed when cooled. One big advantage is that the process often eliminates the need for brazing individual components together to make the whole. Adherents of investment casting say it has the biggest potential of any system.

Aluminium body for an aircraft infra-red reconnaissance camera, made by the investment casting method

Though scarcely used yet for general engineering and commercial work—about 95 per cent is for aerospace, military and communications—it is nevertheless steadily encroaching on more usual methods. Moreover, investment casting lends itself to automated handling, computerised control and a better working environment. But while British performance is as good as to be found anywhere, rising costs are causing the end products to join the lengthening list of goods whose export prices are becoming uncompetitive because of inflation and the strong pound.

Peter Cartwright

Anxiety over brass imports

ALTHOUGH IT is of modest size when placed alongside the ferrous and non-ferrous foundry industries, the UK brassfoundry should not be dismissed as a specialist relic. Sales in 1979 were about £130m, and the industry employed nearly 10,000 people, mainly in Scotland, Yorkshire and Humberside, the West Midlands, London and the West.

The total product range is of considerable complexity, and not all produced by casting, but broadly speaking, brassfounding is the generic term for production of the taps and valves which are an essential part of plumbing and engineering.

The industry in fact covers all the devices used to regulate and control the flow of water from the supply point to the user, and obviously, the bulk of the industry's output is aimed at the housing sector, both in terms of new housing, and in home improvements.

According to the National Brassfoundry Association, which represents 35 of the more than 40 UK companies, higher housing standards, the rising standard of living, and the increasing strength of consumer preference have made the home improvement sector assume increasing importance.

This in turn has meant changes in production methods, designs and marketing by the industry. It has also been a factor in the swift growth of imports, a development which is currently causing anxiety among the UK companies.

In 1976, the British Standard specification for kitchen and bathroom taps was re-written completely, and the new Standard BS 5412 puts the emphasis on consumer requirements of in-service performance. According to the NBA, UK companies led the world in applying new and lower cost materials, backing up such developments with their own direct consumer promotion and advertising.

Product designs, such as radiator valves, were radically re-thought, to cut unnecessary metal usage and production work, but to some extent this has been diluted because of the strong rise in imports. In recent years, home producers' sales have fallen as the import wave increases.

The association insists that measurement by value is misleading, because of low import prices, but even before allowing for this, imports took 20 per cent of total UK sales in 1979. If the position, in real volume terms, is examined, the situation is even worse, they add.

Categories

Virtually all brassfoundry imports fall into three main product categories, and NBA figures underline the position now facing home producers. In bathroom and kitchen taps, UK producers home sales between 1978 and 1980 were down by 3 per cent; imports rose by 188 per cent. In gate valves, the UK sales fell by 20 per cent compared with a 185 per cent rise in imports.

Imports have not risen so dramatically in the other two sectors, covering stop valves and radiator valves, being 35 per cent and 28 per cent up respectively. But UK producers' homes sales in the same categories have fallen by 12 per cent and 20 per cent respectively.

The NBA brands Italy as one of the major sources of the imports, particularly at what the association calls "inexplicably low prices," but Portugal is, to an increasing extent, also selling in Britain, as is the U.S. The Italian share of UK imports in 1978 and 1979 ranges between 40 per cent for stop valves, to 70 per cent for gate valves.

According to an association report, published this week, the NBA "fully understands and respects" the UK's commitment to free trade within the EEC. But it "regrets" that technical regulations do not offer equal access to all the national markets within the Community, and adds sharply: "It does not believe, however, that free trade is compatible with predatory and discriminatory pricing."

British manufacturers have been unable to establish any design advantages among imported goods. Neither is there evidence of better production methods. In fact, the NBA claims that on terms of equal competition, British products could, and would be, comparably priced.

They suggest that earlier British design improvements in products like radiator valves have been followed, or even copied by overseas competitors, and that there is clear evidence of deliberate concentration on UK markets.

In some cases, imported taps are still supplied to the largely superseded BS 1010, and these lag behind the performance of taps produced to meet the improved BS 5412.

The general verdict of the association is unequivocal. "Pricing policies in these cases appear to relate to displacement of UK production rather than to commercially more normal criteria."

Against non-commercial pricing, the UK industry is ultimately powerless, claims the NBA, which is now seeking a full examination—"in the spirit of the Treaty of Rome"—of the current invasion of the UK market by low priced imports. "Nowhere has careful analysis identified a basis in better design, reduced material usage, or superior production methods for price disparities of 30 per cent between UK and imported products."

The imports have already had a marked effect on the industry. There had been a fall in industry/employment since 1975, and with 75 per cent of NBA members forecasting further job losses in 1980, the end of the current year could see a six-year job loss approaching 2,000.

Obviously, under-utilisation of UK industry capacity and the inevitable low profitability, have already retarded investment, a gloomy trend which seems bound to continue. Eventually, such a stagnation, if unchecked, weaken further and eventually destroy the technically competitive position of British producers.

Frazer Wright

Big efforts to extend the uses of steel

THE 1970s WERE not an easy decade for Britain's steel foundries. Only an optimist can see the the 1980s being any easier. Indeed, there is already widespread evidence that the industry's contraction will continue, albeit at an increasingly *slow rate*, until foundry capacity more readily balances against future demand.

But it is far too soon to write the industry off. Vigorous efforts are now being made to persuade today's designers and engineers that pre-conceived, and often antiquated views about the suitability of cast steel can besadly misguided. Casting often has inherent advantages over alternative methods of manufacture, particularly fabrication, which are *assuming increasing* importance in these days of energy study.

Symptomatic of this hungry marketing muscle of the industry is the campaign mounted by the Steel Castings Research and Trade Association (SCRATA), representing more than 90 per cent of the UK foundry output which, starting in 1978, offered a *series of often startling* new development examples from foundries.

These ranged from massive industrial components which utilise the design flexibility of castings, such as 18 ton re-heat *steam chests for a* Canadian electricity project to tiny, but ultra-high integrity castings for aerospace and commercial vehicle industries.

The whole campaign was aimed at emphasising the metallurgical versatility of steel casting, along with the quality that can now be guaranteed. Yet despite this design *flexibility*, foundries often have considerable economic benefits to offer.

But the founders are the first to admit that this can be an uphill struggle. In a relatively fast-growing industry such as offshore oil, a whole generation of engineers and designers are now emerging who have had none too extensive experience of castings.

The sheer speed of development of their industry has, in the past, perhaps dictated fabrication as the obvious answer to a design problem. So even a much welcomed development like a cast steel node, now being produced by the British Steel Corporation's River Don works in Sheffield needs hard selling, despite the inherent benefits that it can offer. By using advanced steelmaking, with a secondary vessel vacuum process, the BSC node is produced from very clean, high-quality steel oering excellent tensile ductility and fracture resistance, with reduced stress concentration at fillets.

More confidence

Despite such determined efforts to get away from the *stereotyped* image of an industry with its roots in the Industrial Revolution and its techniques in the 1930, it is a long uphill struggle for the steel founders. Over the past few months leaders of the UK scrap industry, a major raw material supplier to foundries, think they detect slightly more confidence *in the foundry industry and* point to recently increased orders as perhaps a sign that business is picking up after a *bleak winter.*

Dr. Jeffrey Reynolds, director of Steel Castings Research and Trade Association (SCRATA), damps down such hopes firmly. Like many in the foundry industry, he guards against over-optimism, admitting only that there is some evidence of more stability. But *many* foundries are still operating on a month-to-month order book and *even* a minor improvement can seem, to some, evidence of a major change. Across the industry as *a whole, he feels, there* is no evidence yet of a major upturn in business.

There is broad acceptance that there is still over-capacity in the foundry industry, Dr. Reynolds agrees. Whether, and *by what means, capacity and* demand will be brought into line, let alone the sort of time scale that this would operate on, are currently somewhat imponderable. Such an exercise needs confidential talks with unions, discretion and painstaking planning to be effective.

Certainly, the foundry industry now shows more signs of holding its own against the fabricators, who represent the main competition in many markets. Each process can claim gains and losses in the constant ebb and flow of trade, but now these plus and minus scores are more or less in balance. During the steel strike there was evidence of manufacturers *turning to the foundry industry* when conventional supplies of steel för fabrication dried up. Now the foundries hope to keep some of *the windfall* orders.

It is this sort of chance to prove what they can do that is so welcome and provides a useful and profitable boost to SCRATA's long-term plans to patiently try to educate production engineers and the like about the benefits of casting today. "We have to try and show how production and design *engineers can use castings more* widely, although none of us expect that can be achieved overnight," Dr. Reynolds said.

"We have to convince industry that they can be satisfied with the product, and that quality assurance techniques are suitable for specification techniques which are constantly being tightened."

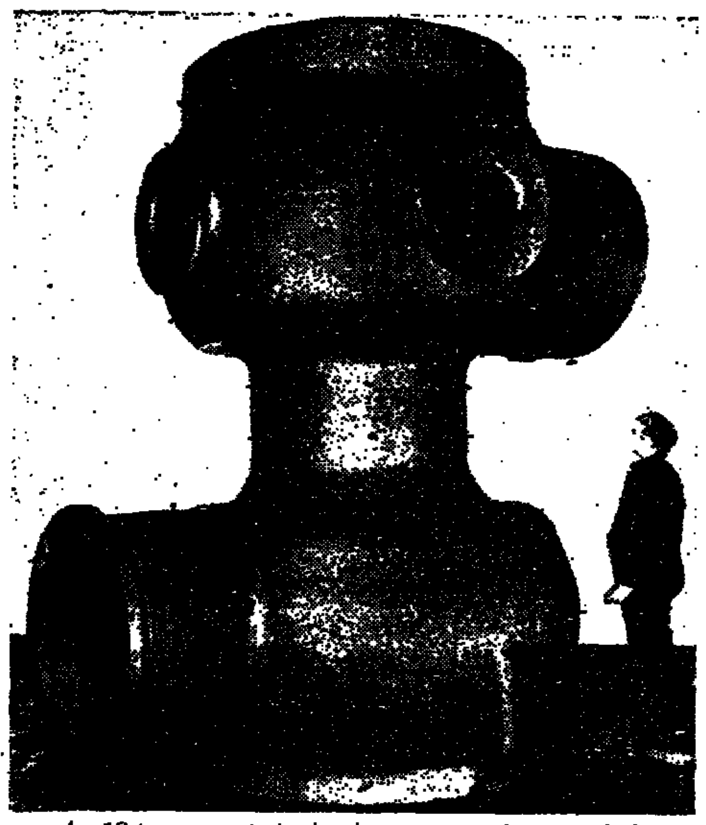
SCRATA *officials are convinced* that there is a marked lack of awareness of the advantages to be found in using casting as a supply source, *but* not actual hostility to the process. Perhaps this lies in the occasional view that casting techniques have developed little in the last 20 to 30 years, which conveniently ignores the *fact that some of the most* highly-stressed components in use today have been created by casting. Indeed, their most potent weapon in this patient bid to educate engineers is the case history; there is nothing like success to achieve more success.

The business outlook for the specialised steel foundry is more rosy, recognising perhaps the need for Britain, as an established industrial nation, to lay a greater emphasis on the use of advanced technology. This is not to say that carbon steel foundries can be considered expendable. The industry clearly has recognised the need for greater automation, while keeping firmly in mind the fact that, *however desirable*, this does not always present an answer to small batch production.

"Some proportion of what we currently make inevitably may go eventually to overseas producers, but the more sophisticated the design, the metallurgy, and the production processes, the more we can safeguard our *own lines of supply,*" Dr. Reynolds said. It should also be questioned whether the political stability of some current producers is such that one can depend on a guaranteed supply of cheap and basic castings.

"My argument has always been that steel founding is of strategic importance to the economy, not just in a military sense, important *though* that is, but for all the other uses. Once capacity is lost it is a question of finding the capability and skills to start up again. Whatever the optimum sixe of the industry is to be, it is important to retain the best people in it."

One of the foundry industry's recent successes is in the development of investment casting, which is a sophisticated process involving the use of an expendable pattern, normally made in wax from a high-accuracy metal die. This generally produces a much more accurate casting.



An 18-tonne cast steel reheat steam chest made in Britain for a Canadian power station

Accurate

This technique can be used to produce castings several feet in diameter, weighing hundreds of pounds, but is normally used at the other end of the scale —for casting highly-specialised small items, often weighing only *a few grams. Moulding materials* are relatively expensive, compared with the costs of *conventional sand*, but the great advantage is that the foundry can minimise the need for subsequent machining of the casting, as it is a more accurate process than conventional sand mould castings.

Britain may well lag behind the U.S. in *total* capacity of investment casting; after all, the Vietnam war, the space programme, and *the stimulus of a* far greater market for such equipment as guns provided substantial impetus for their rapid development. But in terms of skill and accuracy, the UK can claim an excellent track record.

So, given all its difficulties, there is no layer of gloom surrounding the steel foundry industry. Ahead lies a struggle for consolidation, and the continued development of new markets, allied to further improvements in productivity. Given the success of such efforts, there is no reason to *doubt the longer-term future* of the steel foundry industry.

At a time of depressed order books, it is always difficult to stress the need for a continued programme of research and development, but the work *being done on behalf of* the steel founders by their organisation is an invaluable insurance policy.

Frazer Wright

Iron sector taking brunt of decline

IRON FOUNDRIES constitute by far the largest sector of the British foundry industry and are taking the brunt of the continuing decline.

During the last ten years the number of active iron foundries —some independent, some associated with other manufacturing —has almost halved. Last year 48 are known to have gone out of business and the number still in production came down to 630 by the end of the year. Since then there have been further closures.

But some stimulus for new investment has remained in an otherwise depressed industry. Mr. Derek Farrant, director of the Council of Ironfoundry Associations, said: "A small number of new plants and a substantial amount of new facilities have been added to the industry's capacity recently to make it better equipped to meet the expected upturn in demand."

The effects of the £200m-plus investment round encouraged by the Government's aid scheme is now working through the industry. The concern of the companies involved is that their new and more efficient plant for quantity iron castings production is coming into use at a time when industrial demand generally is so weak.

Some companies, however, are able to point to success stories of their own as less fortunate foundries have continued to drop out of production at a rate of about one every *week*.

The new electric melt plant installed by Ransomes Sims and Jefferies at their Ipswich works at a cost of £¾m. It provides close control for the production of nodular (sg) iron

Reliance

A £3m investment programme is paying dividends for the foundries division of S. Russell and Sons, members of the B. Elliott group. The division has shed its traditional reliance on the machine tool industry *and now supplies eastings to a* wide range of other industries. These include tractors, earthmoving, construction, and mechanical handling.

The investment has been made at the company's two Leicester foundries. Much of its future growth is geared to casting in spheroidal graphite (s.g.) iron. It has won business in that material from the makers of steel castings and fabrications. Customers have accepted that for a number of applications the s.g. iron has a range of properties which gives it the strength of steel with less energy-*intensive production.*

Hopkinsons of Huddersfield has recently invested £350,000 on the installation of new plant for the vacuum moulding process for steel castings. The "V" process was developed by Mitsubishi of Japan and the makers and Hopkinsons claim it represents one of the most significant foundry developments in the last ten years.

Mr. Philip Thomas, managing director, explained that the process had been adopted by the British foundry because "our first consideration was the need for new techniques to further improve the quality of castings for our valves. At the same time we were acutely aware of the escalating price of sand and binding *products, the* need for conservation of moulding materials, and the problems of tipping waste materials."

Both the companies have chosen to invest boldly at a time when the foundry industry generally *is in the doldrums* because they believe new technology will enable them to cross old manufacturing and trading frontiers and help them to survive and prosper.

Similar thinking is going on *in the boardrooms of a number* of other foundry companies. It seems probable that the use of new materials—s.g. iron is an example—and the use of new moulding techniques will enable some go-ahead foundries to *expand the base of their* businesses.

The development of new business is one of the few ways in which a *foundry management* can equip itself to face the future at this time. The traditional major outlets for iron castings are all depressed to varying degrees. The sector giving most concern to the iron *founders* is *undoubtedly* the automotive industry, as imports have inexorably caused home production to shrink. It was only the performance of the commercial vehicle sector which enabled the tonnage of automobile castings to be maintained at round 900,000 tonnes last year.

The decline in British bulk steel-making is *another factor* militating against the health of the iron foundries. Output of ingot moulds in the past year has been only about one per cent above the crisis levels of purchases in the depths of the *recent steel recession of 1977-78.* Nevertheless, the iron founders supplied 300,000 tonnes of ingot moulds—an important contribution to their total output of 2,675,400 tonnes.

Production of engineering castings was down by nearly 3 per cent last year and is still a gloomy area. The largest single industrial sector buying *castings in that area of* industrial production is the machine tools industry. The increasing emphasis on high-value numerically controlled machine has played a part in reducing the numbers of castings needed. Valves and pumps are another area where the foundries have felt the chill wind of recession. Slackening *of overseas orders* has been a major reason in that sector.

Castings for the electrical industry, marine machinery and food machinery suffered a 10 per cent fall in demand last year.

The total production of the iron foundry sector last year was the lowest figure since the war, at 2,675,400 tonnes. The NEDC has long held the view that the British foundry industry "could be facing an indefinite period of inadequate demand" and has tried to quantify the possible extent and *speed of the market decline.*

There now appears to be widespread acceptance of the estimate made by the Council of Ironfoundry Associations that the output of British iron castings could fall from 2.7m tonnes *in 1978 to 2.4m tonnes or less* by 1985, and the estimate of the Steel Castings Research and Trade Association that output of its members' *production* could fall by some 25 per cent by 1982.

Bottleneck

Meanwhile, the levels of prosperity at iron foundries in Britain vary widely from profitable plants working their machinery on three shifts down to other plants working at below 60 per cent of capacity and near to bankruptcy.

Although there is a wide gulf *between the most efficient and* the least efficient British iron foundries, the general level of efficiency is still too low for the health of the industry. The industry's "little Neddy" has been looking at practical ways in which productivity can be improved.

The fettling process whereby unwanted metal is removed *from castings is a notorious* productivity bottleneck in the foundry industry. A Neddy-backed study has now examined the problem in detail, paying special attention to the use of manpower, the movement of materials, and the utilisation of machinery. Neddy is also backing studies of moulding methods and diecasting technology.

But one of the most effective contributions to the great debate över the future of the foundries has ben a film made by Neddy called Survival—Foundries at Risk, which is currently being shown at foundries throughout the country. *It is an uncompromising* documentary designed to bring home to both management and shop-floor workers the realities of working in a contracting industry during the 1980s. More than 75 companies have asked to show it so far.

A fair assessment is that output in the British iron founding sector is likely to fall by a further 10 per cent or more in the next four years.

Roy Hodson

Training vital to meet the future

"LIKE MANY industries, the British foundry industry cannot assume that training will solve all its long-term problems, but any company which tries to solve those problems without training is shortsighted," says Mr. Brian Cave, director of the Foundry Industry Training Committee.

The committee, which has done much to spread this message in recent years, has faced its own difficulties in the past 12 months with the effects of Government expenditure cuts leading to a 12 per cent reduction in its manpower. It is also awaiting the outcome of discussions on the future level of Government grants, which amounted to £724,100 in 1978-79, much the same as in the previous two years.

Mr. Cave's view is that whatever the benefits or drawbacks of Government grants, they have become an integral part of the industry's training programme, and would be difficult to replace from industry sources in the present economic circumstances. It would mean a considerable increase in the burden on companies, which last year contributed more than £4.3m in the form of a 1 per cent levy on companies with emoluments of more than £25,00 a year.

Overall, the industry suffers from being too small, employing 0.7 per cent of the country's total workforce, to command more than one full-time university course, although Birmingham, Aston and Leeds Universities offer limited facilities through metallurgy courses.

However, the industry has made considerable progress on training in the past decade, and the training committee is now insisting that the Government cannot allow a reverse in such a basically important sector, despite the convenient arguments that the Government's non-interventionist policy is good for industry.

The other major difficulty for the committee has been to make training suitable for those both large and sophisticated companies and small, generalist concerns. As a result, it has attempted to pitch training at a level which allows people to work almost anywhere within the industry.

Objectives

Although some companies argue that this kind of training encourages people to change jobs, it is regarded as important at a time when closures are not uncommon, creating more opportunities for employment. On the other hand, the committee recognises the need for a hierarchy of objectives in training, and has encouraged that approach.

Yet another problem, which has been with the industry for many years, is the violent cyclical fluctuations in output and manpower demand, and it has been virtually impossible to regulate the flow of newly-trained employees accordingly. Over the same period companies have become increasingly hedged in by employment legislation, safety requirements and employee protection which, while commendable, has severely limited their flexibility to reduce manpower during bad periods.

The attractiveness of the industry to potential trainees has also been affected by fundamental changes in working conditions. No longer is it based largely on craft skills, piecework and rapport between shop floor and managements with practical experience. Moreover, the industry as a whole has been declining in size at the rate of about 2.5 per cent a year.

Against this background there has been a subtle change in the employment structure in the foundry industry, with general operators accounting for about two-thirds of overall employment, but declining in numbers roughly in proportion to the overall contraction.

Technologists, who account for a very small percentage of the total employed, are now increasing at the rate of more than 5 per cent a year, while the numbers of other technicians, managers and administrative staff are remaining stable, but proportionately gaining in importance. Moulders, key personnel in many companies, are declining in number by 5.8 per cent a year.

Another worrying trend is the rising age of managers within the industry. In the early 1970s about 25 per cent of managers were aged 54 and over, but by 1978 this figure had risen above 30 per cent and has continued to rise, while those in the 45-54 age bracket fell steadily during the mid-1970s.

These trends are regarded as continuing evidence of the changing structure of the industry, away from broad-ranging crafts towards greater specialisation, which the training committee accepts while still placing considerable emphasis on the importance of the craft tradition, which was the basis of the industry for so long.

Out of training funds which amounted to about £5m in 1978-1979, about £2m was spent on "specific acts of training" which was generally carried out by outside companies themselves. This included the £724,100 in Government grants, allowing this sum to be fairly easily accounted for, but it is also the area in which there are fears that any reduction in grants would not be replaced by industry funds.

Just over £3m of the £5m was spent within the industry itself, in conjunction with company training schemes. The largest individual item was about £1m spent on the training of operators, while £786,000 was spent on organising training and a further £541,700 on managers and supervisor training. The role of the committee here is to steer companies in the direction "which their better judgment would in any case dictate."

Companies are also urged to see training as an integral part of their operations, for example judging the performance of a single operator not only on his individual qualities, but in terms of the flow of materials to and from his work area.

Control

A high proportion of the levy funds provided by companies does not, in effect, ever leave their control since their indebtedness is calculated at the end of the training year (on the basis of their adherence to recommendations) with consequent advantages in terms of cash flow.

The training committee was set up after the 1964 Industrial Training Act, and the 1973 Employment and Training Act altered its status in that it gave the Treasury control over grant funds. As a result of the need to adhere to cash limits, the committee has faced considerable stringency recently, and with the 1973 Act now being reviewed, more responsibility could be returned to industry in future.

During recent years the committee has seen considerable convergence in the training policies of the European countries, and participates in annual meetings of an EEC industry body, but this harmonisation has come about more as a result of industrial and commercial pressures on the industry rather than through any central policy.

The objective of training policy, drawn up through consultation with employers, trade unions, educationalists and Government, is to maintain a balanced labour force of competent people. The committee believes that it cannot make the foundry industry look more attractive than it is, and must therefore present the facts as objectively as it can.

It also believes, however, that changes in the national education system since 1964, and *probably earlier, have changed* the quality of entrants into the industry. Prior to that date the industry could expect a broad range of talents, whereas now it expects few entrants as a basic level with A-levels. As a result, the number of employees rising through the hierarchy to manager level has been reduced.

The training committee believes, however, that this can be overcome to a certain extent by good craft training, which varies in quality very considerably through companies. Overall, it is clear that training is now being tackled in a far more sophisticated way in an effort to overcome the structural changes within the industry, and that any reduction in the resources committed to training could undermine much of the work already done.

Lorne Barling

Improvements in working conditions

WITH THE possible exception of some mines and quarries, there are few workplaces offering such a combination of unpleasant conditions as a foundry, or a forge. Noise, heat, dust, and fumes add extra layers to the inevitable discomforts that accompany the majority of engineering occupations.

Yet both foundry and forge have been among the leaders in the implementation of measures to improve working conditions inside, and reduce environmental pollution outside. Ironic, perhaps, in view of the close commercial rivalry that the two metalworking industries invariably face in the marketplace.

Many problems are common; some are peculiar to one industry. Indeed, one of the latest developments in the forging industry is a concentrated and serious search for a quieter hammer. This may bring a wry smile to the faces of industrial veterans, but it does emphasise the extent to which companies and their trade organisations will go to try and bring improvements to the shop floor.

Improvements there have been, but nobody can deny that a foundry can still be a dirty, unpleasant place in which to work. Ask anyone who has handled a pneumatic chisel, tearing the slag from the inside of a giant slag pot.

No one would suggest that all of these improvements would be here, now, if it had not been for the veritable welter of legislation that now faces the foundry industry. But it is a known fact that the better UK foundries were often well in advance of health and safety at work legislation, a position which many continue to maintain.

In Britain, and other Western industrialised nations, the principle now adopted is that the polluter pays. Which is, perhaps, something of a misnomer, for invariably, the customer pays in some form or other.

It is a monumental task to try to discover, with accuracy, how much the cost of safety and pollution measures add to the finished product leaving the foundry. But in the steel industry, which has similar problems, albeit often more extensive in the case of pollution, an expert calculated some years ago, that the latest fume control measures in the South Yorkshire steel complex—designed to capture the 5-10 per cent of the fume that conventional filters missed—added several pounds to the cost of each tonne of steel produced.

Foundries accept that this sort of environmental tax is inevitable. Indeed, the improvements made in recent years to working conditions have helped in part to stem the flow of labour from foundries to slightly more pleasant jobs in allied industries. The foundry employer needs little convincing that a happier and safer workforce brings other benefits too, starting with productivity.

A major innovation in recent years has been the formulation of what are termed threshold limit values (TLVs) which try to lay down acceptable limits for a variety of nuisances. There is broad and general agreement that these limits are realistic and workable. Unfortunately, they are not widely incorporated into legislation, so cases can arise where a nuisance is within TLV, but because it exists at all the legislation demands a cure.

Maintenance

In the case of a foundry where there is a minor process which causes dust, this may be below the accepted TLV. But legislation wants that dust problem to be removed at source. So a highly-expensive, energy-consuming extraction system is called for, which will then need regular servicing and maintenance.

Some of the safety regulations currently on the statute book, and therefore, being policed by the factory inspectors, are 25 years old. Until they can be updated to include the TLVs there are likely to be occasional instances of slight friction, although the inspectorate are among the first to point out the very real values of TLVs, and are currently involved in talks with the Steel Castings Research and Trade Association (SCRATA) over their wider relevance.

Mr. Douglas Swinburn, manager of the association's environmental bureau, is a firm supporter of increased use of TLVs, and urges constant updating of legislation to incorporate them. At the moment, he explained, these values are published for guidance, but the sooner they form an integral part of legislation, the better for the industry, and the men who work in it, he said.

There are other difficulties too on occasions. Mr. Swinburn cites the case of a leading UK steel foundry where just two workmen are regularly exposed to what all agree is a potential dust hazard. It would cost up to £40,000 to instal a full-scale fan extractor to deal this hazard. Yet it could also be tackled by having the men wear the new Racal Airstream helmets, which would filter out all dust dangers.

The majority of workers are quite happy with these helmets, which produce personal "air conditioning" behind the face shield, with air which has been thoroughly filtered. The cost? About £100 for each helmet, perhaps with a third more as back-up. Compare that to the capital cost of installing an extraction system, meeting the cost of running it, and providing maintenance.

Mr. Swinburn is in no way critical of the inspectorate. "Until the regulations are altered, they have a job to do, working with these regulations. They, like us, welcome these TLV recommendations, but they have to observe the letter of the legislation."

All these questions of cost of legislation are not raised with any desire to boost individual company profits. Of far more importance is their effect on the long term competitiveness of the UK foundry industry. If British founders have to meet a substantial bill for the implementation of safety and anti-pollution measures, this becomes a direct, non-productivity, cost. As legislation gets tougher, so this extra cost is reflected in unit costs.

But take a competitor steel foundry in, say, Korea. There, health and safety legislation is by no means as advanced as in Britain, with little in the way of independent policing by a Government body. Add to that the lower wages, and subsidy help, and you begin to understand why their prices are often substantially below those of a UK foundry.

There is now clear evidence that the burden of meeting safety and environmental legislation has been enough to close foundries in Sweden and the U.S.

Within the EEC, broad guidelines for member companies have already been adopted on both environmental pollution, and safety and health at work, both of which firmly adopt the "polluter pays" principle. But the directives also urge that measures in these fields should not be accompanied by subsidies that would create significant distortions in trade and investment.

The CBI has studied the position in detail, and it feels that in certain instances where the UK is at a competitive disadvantage, it is in the interests of British manufacturers to press for harmonisation to bring the standards of other member States up to the higher standards of the UK.

In the U.S., the introduction of the Occupational Safety and Health Administration in 1972 was the signal for an explosion in the demand for workplace and environmental improvements. For the U.S. steel foundry industry, singled out for attention from the start, it was a traumatic experience, particularly when the Environmental Protection Agency, responsible for community pollution also appeared on the scene.

That this has not happened in the UK is because such legislation has been introduced here over a considerable period, and has been assimilated by both management and unions, as well as by HMI. But what has happened in just eight years in the U.S. stands as an uncomfortable reminder of what could happen here in the next major offensive against pollution, and workplace hazards.

Frazer Wright

Automation needed to compete

PROGRESSIVE ELEMENTS in all sectors of the ferrous and non-ferrous foundry industries are moving steadily and on a broad front towards automating processes to provide more consistently accurate components of assured quality. This is seen as the necessary stage before the wider introduction of automated assembly lines during the next decade. These demand precision components if they are not to suffer constant breakdowns.

The two developments which have spurred these changes have been, of course, the "pick and place" robot that can make work in the hot and dangerous areas of foundries so much safer and more comfortable, and the micro-processor which can remotely control a process with great accuracy and sensitivity.

Some of the criticism, so widespread, about the failure of British industry to avail itself of these new aids with which to meet competition is wide of the mark. A great deal of work has been quietly going on for some years to familiarise people and develop systems to suit the kind of plant installed. Several of the big foundries have engineered their own solutions. The equipment has to be tailor-made to suit individual requirements.

While the need to bring in new technology to meet rising competition from Europe and beyond has been a driving force, the persistent demand by customers for higher-quality components that come much nearer to finished measurements to avoid costly machining has been at least as important.

These considerations are promoting a significant move into investment casting process for aluminium and light alloys. As an indication the British Investment Casters Technical Association (BICTA), which represents all the major producers in the industry, reports that the value of castings sold last year was 73 per cent greater than in 1977, and that the order intake over the period had expanded at an even faster rate—by 117 per cent.

By way of confirmation of the rate of progress, if 1979 is compared with 1978, the value of castings sold rose by 31 per cent but the order intake went up by 57 per cent. Of course, inflation has to be taken into account, but the trend is clear. While the association's figures do not pretend to represent the same rate of advance over the industry, a reasonable estimate would suggest that the total value of output now exceeds £100m.

Attracted

Advanced studies are also being made into investment cast tooling. The National Engineering Laboratory is one organisation that has shaped a programme this way over some years and is now reaching the stage where machine tool-makers are becoming attracted. It is a market infiltrated already by Czechoslovakia and other countries, and offers considerable prospects.

Meanwhile, the automating of injection moulding machines to produce wax replicas of the product, the use of robots to dip the replicas into a liquid ceramic solution to build up a shell, and more precise control of the finishing processes are all encouraging signs of progress. That UK investment casters can hold their own in the world is shown by a useful 15-17 per cent surplus of exports over imports. The latter are running at only about 5 per cent, so that the UK is protecting its home market in this area at least.

Investment casting lends itself especially well to complex, high-technology products for aerospace, avionics, and defence work in connection with tanks, missiles, and aircraft control systems, and for communications. Some of these are elaborate chassis for the installation of mini-computers that eventually will control the flying controls of a military aircraft. Others are for vehicle engine management systems for fuel conservation. The demands that the military is making on this branch of the industry is pushing out the boundaries of technology faster than would be usual in commercial trading.

For example, components are going up in size and can now be made up to 3 feet by 2 feet x 2 feet, twice as large as was possible just five years ago. However, there is not a great deal to boast about as far as the UK is concerned: the techniques were founded in America and Canada, and some of the crucial materials also come from across the Atlantic.

Parallel advances are going on in ironfounding to bring the finished casting closer to the tolerances of the completed component, and to speed up individual processes. An interesting recent advance in the production of large castings like diesel cylinder blocks needed in volume has been achieved by Sterling Metals after several years of development work. It involves the use of the carbon dioxide (CO_2) process whose chief attraction is cheapness, but which also poses problems in casting finish.

The process is in common use for small products or for large ones where loose tolerances are acceptable. But for accurate volume work it has been difficult to avoid imperfections in the finished casting. The solution has been to devise a satisfactory method for the liquid refractory coating of the CO_2 core. The core is based on a binder of sodium silicate and sand through through which the gas is blown. Chemical reaction converts it to sodium carbonate, which cures in 10-15 seconds.

The untreated core has a very high absorption rate of moisture and is sensitive even to a change in humidity, and it has been this factor which has made a satisfactory coating difficult to achieve.

Associated with this development is a new core-making facility based on a French core blower. The rotary table for the core boxes was made by another Birmid Qualcast subsidiary, Pneulec. This is an eight-station circular machine with the useful advantage of indexing past empty stations if only four are being used. There has been a dramatic gain in productivity from 70 to 135 cores per shift accompanied by a saving in manpower and improved working conditions.

This is one of the more outstanding examples of the benefits the foundry industry—non-ferrous as well as ferrous—has derived from individual initiative and the government-aided capital expenditure programme. In general, the foundry industries are much better equipped to deal with the competition, though it is discouraging that the new process should have reached the production stage just as a worldwide recession again uncovers surplus capacity.

Bronze and brassfounders, too, have been encouraged to invest in the most modern plant and equipment to meet the challenges of North Sea oil requirements, and those of the chemical and marine-based industries. And all sectors have had common problems posed by strict health and safety standards, expenditure on which is an unavoidable addition to overall costs.

Peter Cartwright

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How the banks were driven to bail out Chrysler

BY IAN HARGREAVES

ONE morning in spring, half a dozen bank executives filed into a room in the Pan American building in midtown New York for yet another meeting with their number one problem customer, Chrysler.

They were greeted, as in many previous meetings, by Steve Miller, Chrysler's young, bright and extremely determined assistant treasurer. But this meeting was special, because the previous night, over a supper at the Waldorf Hotel which stretched into the small hours and which ended with champagne, the executives in question had made a breakthrough. They had found the first formula for what they thought might be a fair and acceptable way of meeting the government's demand: sharing out between Chrysler's more than 3,000 U.S. banks and its 50 or so foreign bankers, the task of saving the company.

Miller probably did not know of this "Waldorf agreement" as it became known, when he rose to address the meeting. "Gentlemen," he said, "I have to inform you that the intended format of our meeting has been changed because at 10 am today, Chrysler Corporation filed for protection under the Federal Bankruptcy laws." There was a sickening pause and a couple of audible groans before Miller continued: "I also have to remind you that today is April 1."

Now that the year-long drama of assembling the Chrysler rescue programme is at last at an end, this story, and others like it, are already taking on a kind of legendary status in New York banking circles. In the words of William Miller, the U.S. Treasury Secretary, it has been the most complex financing operation in U.S. history.

None of the 2,000 or so individuals who played a direct part in the negotiations would disagree with that assessment, although many of them would agree that it was a deal that should never have been done for a company which in the long run is doomed. Why did they do it? Why was it so complex?

The complexity stemmed from the fact that in its heyday Chrysler was a worldwide power, the ninth largest industrial company in the U.S. It had worldwide financial connections unlike, for example, Lockheed, which was bailed out in 1971 at a time when it used a mere 24 banks, all of them American. When Chrysler first took its problems to the U.S. Government last August it owed $4.8bn to over 350 banks in 15 countries and had long-term loans from several insurance companies. The banks ranged from the Twin City Bank of Little Rock, Arkansas, to which Chrysler owed $78,000, to the biggest banks in the world. Manufacturers Hanover Trust of New York, the lead bank, is owed over $200m.

So far as Chrysler was concerned, the objective was to find a way of supplying that part of the $13bn Chrysler needs to re-equip itself to build the smaller cars the American public wants. The attempt had to be made against the backcloth of the worst motor industry recession in the U.S. since the war, a period of record interest rates, a credit crunch and a period of unparalleled confusion in Detroit about the likely shape of the industry's domestic market—a confusion which had stimulated an unprecedented flood of imports. By August, Chrysler could see that it would be bankrupt by Christmas if it was not helped by the Government. Throughout the negotiations it was in constant danger of literally running out of cash.

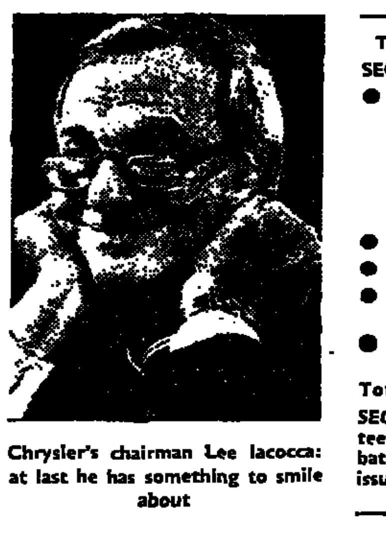
But really to understand both the complexity and the reason for the eventual success of the negotiations, it is necessary to perceive the self-interest of the four main groups of participants involved—the Carter Administration, Congress, Chrysler plus its workers and suppliers, and the company's creditors.

The self-interest of the first three groups is self-evident and there was never much likelihood of either Congress or the President in an election year letting Chrysler go to the wall. It took three months to sift the arguments, and for opponents of bail-outs, like Senator William Proxmire, chairman of the Senate Banking Committee, to nail their free market colours to the mast, but in the end no politician was likely to find the courage to finish off Chrysler.

Free market philosopy

When it came to the creditors, if not a different story, it was at least an infinitely more complicated one. That is why it has taken almost six months for the banks to agree among themselves about the terms of the deal, and then only with a quite staggering volume of pressure from the U.S. Government. Indeed, it has been in the offices of the bankers that the real Chrysler drama has been played out.

For the lenders, who had watched Chrysler's balance



Chrysler's chairman Lee Iacocca: at last he has something to smile about

THE $3.5bn RESCUE PACKAGE

SECTION I: Raised by Chrysler

- **$642m "Concessions from lenders" (mainly rescheduling of existing debt, cutting and re-arranging interest payments due to banks, insurance companies and other financial institutions in the U.S. and abroad)**
- **$628m Sale of assets**
- **$357m State Government loans**
- **$342m Deferred pension payments**
- **$63m Sale of debentures to car dealers**

Total: $2,032m

SECTION II: Federal Loan Guarantees of $1.5bn. The first $500m batch of guaranteed notes will be issued this week.

KEY DATES IN CHRYSLER'S ROAD TO RESCUE

1979

June: Chrysler asks Government for $1bn tax relief;

August: Chrysler withholds quarterly dividend; Chrysler Financial loses credit rating; Chrysler submits plan for loan guarantee;

October: Chrysler rewrites aid request;

December: Congress passes aid bill;

1980

February: Chrysler announces $1.1bn loss for 1979, a U.S. record;

March: Chrysler says it will lay off 20 per cent of staff; 40 per cent of manual workforce already laid off;

May: Chrysler gets $150m loan from State of Michigan; Government board approves terms of loan guarantees;

May June: Banks gradually agree to terms; Chrysler gets first portion of Government aid.

sheet deteriorate significantly between 1977 and 1978, the alarm bells really started to ring last August, when Chrysler's credit rating was slashed and Chrysler Financial, its large financing subsidiary, had to borrow from banks rather than issue other forms of debt. These credit lines totalled over $3bn—twice the volume of bank credit available to Chrysler itself.

By October, some of the main U.S. banks involved had formed a Chrysler committee to monitor developments in Washington and to co-ordinate policy on Chrysler Financial. Many hoped the politicians would kill Chrysler for them — indeed bankers like Walter Wriston, chairman of Citibank, fanned the flames by publicly backing the argument that a Chrysler bail-out was bad for the country and its free market philosophy—but the politicions did not oblige. By January, the Chrysler Loan Guarantees Act was published, requiring the banks to come up with aid worth nearly $650m, some of it in new loans. This financing forms part of the $2bn which Chrysler has had to raise from private sources in order to trigger $1.5bn in Government loan guarantees, thereby enabling Chrysler to issue $1.5bn of new paper.

The hawkish statements of Wriston and a few others continued, but behind the scenes, the bigger banks quickly reached the same conclusion: they could not ignore the will of government. A major series of banking laws was en route through Congress and in a country where banks have always been tightly regulated and the object of many politicians' suspicion, the banks could not be seen to be guilty of abandoning Chrysler.

The capitulation was made more comfortable by the knowledge that if Chrysler went down, the banks might recover only 30 per cent of their money, if that, and then only after a long fight on the basis of recently revised bankruptcy laws which had not yet been tested on a big case.

So men like Wriston told the younger executives—the average age of the men who did the real negotiating on Chrysler was probably around 35—to get a deal, but to use every means possible to get the best possible one.

Since January, this is what has been happening. Each bank officer has been pursuing his own, self-interested target. In short, there has been one hell of a fight among the bankers.

The large American banks started with five main objectives:

1—Insulate the Chrysler Financial situation from that of the parent.

2—Avoid making new loans to the company, as the Act technically required.

3—Force Chrysler to slim itself to a more modest size.

4—Make sure that smaller banks did not sneak away from Chrysler and get their money back leaving the big banks to pick up the tab.

5—All creditors should share equally in rescuing the company.

Remarkably enough, all of these objectives have been secured to some degree. The first was approached initially through the tactic of forcing Chrysler to sell a 51 per cent stake in Chrysler Financial, but in early April the interest rates surge killed the interest of the would-be buyer, Household Finance. So Chrysler Financial too, like the parent, had to be saved directly by the banks.

In the end the insulation was achieved by the banks receiving direct security for their loans to Chrysler Financial against the company's accounts receivable (mainly car-buyers' HP accounts). So if Chrysler goes bust, as it may well do in 1983 or 1984, the banks believe they will get their Chrysler Financial loans back.

Objective two proved to be not too much of a problem, in that the Government had the right under the Act to be flexible about where Chrysler got the $2bn in matching funds it needed to be able to issue the $1.5bn of guaranteed loans. Objective three was only a matter of time as the recession wore away at Chrysler operations, forcing it to close plants and concentrate upon building small cars.

The fourth objective—to keep the smaller ranks within the fold—appeared to be the toughest, because it was hard to see the self interest motive for the Twin City Bank of Little Rock and others like it. In the end the sheer size of the artillery did the trick. A 50-strong treasury team hunted for information about people with influence on given banks, from mayors to local businessmen and even other motor companies. And ultimately William Miller rang up the bank presidents himself and told them that he really would let Chrysler go bankrupt if they did not toe the line. With the foreign banks the problem was easier, in a sense, although one German and one Belgian bank were among the longest resistors. Here the leverage was simple: do you want to go on doing business in the U.S.?

There was from the beginning a good deal of mutual suspicion and resentment between the American banks and the foreigners. The Europeans needed the big American banks to lobby for the bank industry's interest in Washington. But they were angry, and said so, about the ease with which American banks had melted into thin air in the face of, for example, the problems of AEG in West Germany.

More problems stemmed from the fact that the foreign banks were required under the act to stump up collectively $150m in new loans. The "equal shares of misery" principle adopted by the domestic banks would, and eventually did, double that amount. Then some of the American banks started thinking about the insurance company loans, which were not mentioned in the act. What abcut them sharing in the misery? And so it went on.

It was a back-breaking process. Every upward (and more recently downward) spurt in interest rates changed the calculations, since one feature of the deal was a contract rate of interest for the loans; this has been set at 15 per cent. Chrysler's operating prospects dimmed visibly almost week by week. And, every changed nuance and technicality in a pile of loan agreements a foot high had to be communicated to 350 banks in 15 countries.

Kidnapped bicycle

Some banks (the French, for example), insisted on dealing with the matter from France. Others (the Dutch and the British) turned it over to New York-based offices, although even this did not avoid the need for numerous meetings in Amsterdam, which became the European operations centre for the rescue.

Every request for waiver on the terms of a loan, and there were hundreds of these, would take weeks to accomplish. When, in April, Chrysler tried to get some cash from Peugeot in a secured loan against Chrysler's shareholding in the French company, every bank had to agree; a lot did not like the prospect of one of Chrysler's more obviously saleable assets disappearing down the street.

At times it was a rough game. Jim Wolfensohn, head of corporate finance at Salomon Brothers, the New York investment bank, was Chrysler's chief adviser and go-between on the financing plan. In one three-day spell in April he visited six European countries and held 12 meetings. There were moments of bad blood when accusations of trickery and time-wasting were hurled around. Then in the middle of the New York City public transport strike, a group of bankers stole Wolfensohn's bicycle and demanded concessions in the loan agreements in return for handing it back. Everyone laughed again and some new progress was made.

There were innumerable crises. Several times Chrysler was within days of being unable to pay wages. The collapse of the talks on the sale of Chrysler Financial required a complete reshaping of the financial package within four days. After a mass meeting of bankers at the Detroit Plaza hotel in April, the Treasury came forward with its proposal that at the end of the rescue period in 1984, the banks should convert the backlog of deferred interest payments in Chrysler into preferred stock in order to solidify the company's finances. That almost blew the deal apart, but eventually the fundamental arguments of self interest re-asserted themselves.

The final trial for Chrysler lay in persuading a handful of small American and a couple of large European banks to play ball. Some of these, like the final one to hold out, the Deutsche Genossenschaftsbank, had actually seized Chrysler funds and had to agree to return them to the company. It finally gave way only after what bankers say was the heaviest cajoling pressure ever exerted on a foreign bank by the U.S. Government on behalf of a private company.

So, in the end, a deal was done. It is formidably complex and it may well not be sufficient to save Chrysler. In essence it involves stretching out the maturity of bank debt, reducing some interest payments, foregoing others, and providing a means for Chrysler to convert the backlog of interest payments into equity after 1984.

From the most optimistic point of view the banks are delaying their risk on Chrysler, although many of the bankers accept that they are in effect writing off the loans to the parent company.

It may, as Senator Proxmire has said, all add up to another chapter in the fleecing of America. But the Chrysler case is testimony to the fact that in the United States, once the political snowball starts rolling, nothing, and certainly not the philosophical anxieties of free enterprisers or the reluctance of bankers to do bad business, will stop it.

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(1) A *declaration that shares in your* name in Hawkstone Investments Limited are charged for the payment of all moneys owing by you to the Plaintiff;

(2) An account of what is owing by you;

(3) A *declaration that what is certified* as being owing by you is a charge upon the said shares;

(4) Foreclosure or sale of the said shares;

(5) Transfer to the Plaintiff of the said shares together with all dividends;

(6) *Payment to the Plaintiff of all divi*dends on the said shares already received by you;

(7) Such further or other orders as the Court may deem appropriate.

Unless you enter or cause to be entered an appearance to the Originating Summons within 90 days of the date of this advertisement judgment may be entered against you without further notice.

Further particulars of the Originating Summons are available from the Plaintiff's Solicitors Messrs Stone James & Co., Law Chambers, Cathedral Square, Perth, Western Australia.

Dated this 25th day of June 1980.

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FIVE ARROWS FUND N.V. Established in Curacao Netherlands Antilles

For the year ended 31st December 1979 an interim dividend of US$0.40 has been declared payable as from 23rd May 1980 to holders of shares outstanding on 16th May 1980.

Holders of bearer shares are entitled to receive the interim dividend against presentation of Coupon No. 12 with any of the following agent banks.

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Banque Rothschild S.A., 21 Rue Laffite, Paris 9e, France.
International Pacific Corporation, 56 Pitt Street, Sydney, Australia.
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NOTICE IS HEREBY GIVEN that in pursuance of a resolution passed at the Annual General Meeting held in Malaysia on the 16th June 1980 a final dividend of 22½% less 40% Malaysian Tax was declared in respect of the year ended 31st December 1979 (i.e. a net dividend of 13.5%).

NOTICE IS ALSO HEREBY GIVEN to holders of Share Warrants to Bearer that Coupon No. 68 detached from Share Warrants to Bearer should be presented for payment in accordance with the above mentioned Resolution on or after the 27th June 1980 to the Hongkong Bank Group's London Office, British Bank of the Middle East, 99 Bishopsgate, P.O. Box 199, London EC2P 2LA.

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DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

June 1980: Vol. 9 No. 6

Japan's price problem is entering into new phase amid business expansion

Efforts must be made to ward off inflation created at home

The Japanese economy continues to expand in the fields of export and private equipment investment. But the problem of increasing prices has entered a new stage and further efforts are needed to ward off inflation at home.

Wholesale prices in April increased by 2.7 per cent from the previous month (up 24.0 per cent compared with the same month last year) showing a rising trend.

The rising trend in prices of imports has subsided since last March following a lull in the price hike of crude oil and a steady overseas market for raw materials. But prices of domestic goods, on the other hand, are increasingly rising.

The cost for raw materials increased slightly by 0.4 per cent over the previous month, reflecting the trend of import prices.

The cost of intermediate products has increased sharply by 4.5 per cent compared with the previous month due to rising costs in electricity, gas and steel.

In addition, the cost of manufactured products, both capital and consumer goods, shows signs of rising trend after a long period of stability, with new, different factors pushing up wholesale prices.

In particular, there is a growing concern that the cost for consumer goods, especially nondurable consumer goods, is rising intensively, threatening to affect consumer prices. This and public utility rates are likely to pressure consumer prices upward in the future.

Thus, the overall price hike at the level of producers and suppliers of goods are beginning to affect consumer prices.

In view of the uncertain future trend in the crude price which is to follow the meeting of Organization of Petroleum Exporting Countries (OPEC) on June 9, it would be necessary to ward off inflation created at home.

Production maintains expansive keynote

While apprehension is growing in the field of prices, the Japanese economy continues to expand. In terms of production, mining and manufacturing decreased by 3.5 per cent from the previous month (after seasonal adjustment) and the industrial shipment also marked a 5.1 per cent decrease.

As far as the January-March period is concerned, however, both industrial production and shipments increased sharply, by 4.1 per cent and 3.4 per cent respectively, compared with the previous October-December period last year.

The manufacturing forecast index predicts that expansion will continue with a 3.4 per cent increase expected in April against the previous month and a 0.7 per cent increase in May.

No change is expected in personal consumption

Equipment investment by private corporations is indicative of the demand situation behind production.

Judging from indications of capital goods shipments and machinery equipment orders, equipment investment is apparently continuing to increase this year.

Despite some concerns caused by tight money policy and uncertainty of power investment, equipment investment is expected to increase steadily in the future with a sharp increase in equipment investment anticipated for the fiscal 1980 plan.

As for the trend in inventory investment, manufacturing inventories had only a 1.0 per cent increase in the Jan.-March period (after seasonal adjustment) against the previous period. Private corporations thus are conservative about their inventory buildup.

Customs cleared exports (yen basis) are rising. They increased by 41.7 per cent during the January-March period against the corresponding period of the previous year. Exports in April also marked a 51.3 per cent increase compared with the corresponding month of the previous year. As a leading indicator of exports, export letters of credit received (dollar basis) showed a 19.4 per cent increase in April over the corresponding month of the previous year. This seems to reconfirm the continued rising trend in exports.

We shall now turn to the trend in personal consumption. The sales of large retail stores (such as department stores and self-service discount stores) are doing well. Their proceeds for the January-March period this year increased by 12.8 per cent over the same period of the preceding year. This exceeds a 7.1 per cent increase for the October-December period last year shown against the corresponding period of the previous year. The average outstanding balance of Bank of Japan notes is now edging off.

According to the family budget survey conducted by the Prime Minister's Office, the actual growth in consumer expenditures by all the households in the country (excluding farming households) marked a 4.1 per cent increase in February against the corresponding month of the previous year. The growth in consumer expenditures showed only a 1.0 per cent increase during the Oct.-Dec. period last year compared with the same period of the previous year and 0.7 per cent increase in January this year against the same month of last year. Various indicators thus reveal both dark and bright sides of personal consumption.

Personal consumption is not likely to expand in the future in view of the following factors: (1) Only a small increase can be expected in real income when wages go up by around seven per cent over the previous year; (2) The survey on personal consumption shows that uneasiness in the outlook for household incomes is mounting, which is likely to depress consumption.

The balance of international payments is in a large deficit

The employment situation is making no progress as the effective job applicant to offer ratio (after seasonal adjustment) decreased from the peak level of 0.82 last December to 0.75 this March.

According to a survey conducted by the Bank of Japan, the employment assessment of private companies as of February indicates that unemployment will continue in both manufacturing and other industries although the shortage of employees is expected to decline in other industries in June.

With high corporate earnings probably maintained at least until September, the employment situation is unlikely to deteriorate rapidly.

Meanwhile, the deficit in balance of international payments continues. The current balance in March ended in a deficit of about $2.4 billion after seasonal adjustment.

As a result, the fiscal 1979 current balance ended in a record large deficit of $13,931 million. A large deficit in the current balance is expected to continue because the increased rate of imports will exceed that of exports for a while due to the crude price hike despite a continuing strong increase in exports.

Interest rates at peak

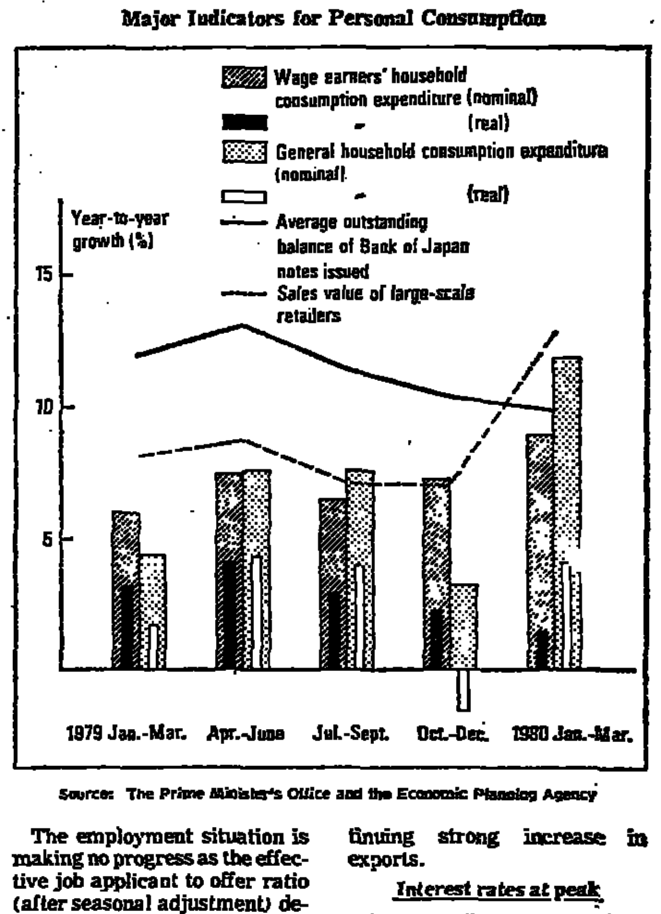
An overall survey of the financial situation shows that market interest rates, which had gone up sharply due to a series of government tight money policies, have stopped rising temporarily, partly because the capital fund usually becomes surplus in May.

It is characteristic of recent months that the bill transaction rates and call loan rates are comparatively higher than gensaki (conditional) rates.

The financial market usually suffers a large shortage of capital funds in June when the bank note issue is increased greatly, reflecting payment of summer bonuses and mid-summer gift purchases by the people. The tax revenue also increases mainly from the corporation tax in this month adding to the shortage of capital funds in the financial market.

Furthermore, the market interest rates may turn higher tone as the financial market is expected to harden this June resulting from a possible continuation of the tight money policy promoted by the Bank of Japan.

Major Indicators for Personal Consumption



Source: The Prime Minister's Office and the Economic Planning Agency

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The next DKB monthly report will appear July 25.

LOMBARD

Competition and the 'norm'

BY ANATOLE KALETSKY

A NEW ALL-PURPOSE virtue has entered Britain's political vocabulary to fill the vacuum in speech-writers' resources which was once filled by unimpeachable ideals like "patriotism" and "democracy." "Competition," this new panacea, has many merits but, like every ideal, it is apt to be abused by politicians and misunderstood by the public.

The latest instance of public misunderstanding of the nature of competition has arisen in the speculation on the Wilson Committee's forthcoming report on Britain's financial institutions. The idea seems to have become established that abolition of the *price-fixing cartel operated by* the Building Societies Association would result in a wide variety of mortgage rates being offered to borrowers by different societies, instead of the present more or less uniform rate of 15 per cent.

The advantage

In fact, of course, it is of the essence of competition that the prices in a market should be uniform: variation in prices, or, in this case, building society rates, signals a breakdown in competition. If the mortgage market were competitive, any building society that wanted to charge a higher mortgage rate than the others would soon lose *its borrowers. It is only because* of the persistent mortgage famine created by the building societies' present uncompetitive *practices that some societies* can, *in fact*, charge somewhat more than the recommended rate, while banks and insurance companies can demand far more from borrowers whom the building societies turn down.

Misconceptions about competition in the mortgage market may not be of much importance. The greatest advantage of abolishing the BSA cartel would be to allow the Government to run an interest rate policy determined by flows of savings and investment in the economy, rather than by fears of unsettling a few stalwarts at the BSA, whose personal psychologies should not be a subject to burden the Prime Minister's mind. But the same misunderstandings have arisen in a market which is much more critical to Britain's well-being.

Ministers never tire of calling for competitive forces in the labour market to sweep the union barons from power. But they also preach something called "economic realism," which asserts that workers should get pay increases in accordance with "what their employers can afford to pay." The wide disparity of pay settlements in the last pay round is *claimed as a sign that* "realism is breaking through" against union monopoly power.

But in the labour market, just as in the market for mortgages, true competition would ensure that workers with the same skills received the same pay. Relative earnings would be determined not by what an employer could afford, but by whether a particular type of worker's skills were in short supply. The idea that a skilled tool fitter at British Leyland, or a computer programmer in a local authority should receive *a meagre pay increase*, while a commissionaire in a clearing bank should automatically share in his firm's prosperity is certainly a far cry from Adam Smith.

Wrong recipe

The idea that all *employers should pay their workers* "what they can afford," taken to its logical conclusion, would be a recipe for *entrenching* the present industrial structure, by perpetuating skill shortages and protecting from bankruptcy *those employers who persistently failed* to keep productivity rising fast enough to pay their workers market wages *and* keep up with competition in the world outside. While there may well have been a case for widely spread pay settlements in the last pay round, to reflect the necessary structural readjustments that were suppressed by four years of rigid incomes policies, it would be rash for the Government to bank on this disparity continuing for long. In the end competitive forces in the labour market will prevail—and settlements will cluster around a "norm." If this norm is low enough to reflect the supply of, and demand for, labour in the economy as a whole, this is an outcome the Government should welcome, not dread.

Peonies: source of legend and envy

FOR THE past month, I have been wishing I grew more peonies. There is a complaint called peony envy whose symptoms you probably recognise.

It begins each year at Chelsea Flower Show with those exhibits of double peonies which are unmarked by any bad weather. It becomes acute with me when the single yellow peony from the Caucasus, the one with the unpronounceable name, is in full flower five days above its glaucous leaves and red-flushed stems.

The crisis hits me this week when other people's Imperial peonies are in full flower. These are the ones with single outer petals, usually of a pale pink, round an inner mass of yellow *whiskers which the pundits* like to call petaloids. Gleam of Light and Globe of Beauty are the best known varieties and I doubt if there is a more beautiful large flower in the world.

It is odd to write as if peonies made me suffer. For years, the peony was valued because it made people healthy. Its name, a Greek-derived one, meant it was a plant of healing. The seeds of one variety were squashed up and used as an anaesthetic for soldiers in the Roman army.

This is not one of those tales "*vainly feigned and* cogged in for ostentation's sake," as one of my old herbals describes certain legends about the peony. It is very well attested. So too, is the belief of the old doctor Galen that children who wore a piece of peony root round their necks where less prone to epilepsy. The great man even claimed to have proved this by *experiment*. Others were more fanciful surrounding the suggestive shape of a peony root with all sorts of idiocies which we would not take seriously. But for centuries, the peony was prized because it worked wonders with mental diseases and helped to keep lunatics under control.

Nowadays we have asylums instead and prefer the peony as a beautiful source of modern hybrids. The best, I must remind you, are offered by Kelways of Langport, Somerset, *the kings of the peony* in Britain. Their plants would be superb in the town garden which could give them a deep soil, not too much sun and the extra feeding on which they thrive.

Only last weekend I was discussing their merits with a keen London friend who has shifted more rubbish in a season than I have handled in a decade and had turned a hopeless patch of clay and brickbats into a neatly contrived back garden. He had surmounted an atrocious soil by building up raised beds above it, edging them with brick and making sure that his soil was rich enough to please the greediest peony for a lifetime. In a similar bed you could mass your peonies in a town garden and have them close to your eyes and nose where you can enjoy their scent to the full.

There are several common myths about the peony and one bad *mistake which you should* avoid. The first myth is that their flowers do not smell, so a rose would be better value. In fact, a variety like the white *Duchesse de Nemours* has a cool, sharp scent. Another is that their season is too short. Most of the varieties do not last for more than a fortnight in flower, but the season is extended in other ways.

In many varieties, the young spring growth is a superb shade of blood-red as bright as any *daffodil*. *In others*, the leaves turn a fine shade of flame and orange in autumn. Bushes of the good double shell-pink Albert Crousse will soon convince you that this second season is worth having. As a family, the plants span many more weeks in flower than most gardeners imagine. By choosing early, middle and late varieties you can enjoy peonies from mid-May to early July.

A worse myth is that peonies are slow and difficult. Sometimes, you may have trouble with the expensive form of Japanese tree peonies, bought as dry stock from a nursery and planted too late in early spring. In their first year they may run into a dry spell which they hate. When planting, you may not have buried the point of grafting below soil-level, whereupon the coarse stock will take over the growth.

You may even run into a disease called *botrytis* which shows as a purple colour on the stem and causes leaves to shrivel up. You can stop this however by spraying with Bordeaux mixture as soon as you see a sign of it. I also believe that there is a risk of a sort of peony wilt which has accounted for the last two expensive Japanese varieties which I have tried to grow. Each started well but flopped from the top by mid-July and never picked up again.

I mention these risks only to assure you that they are the exception, especially in the tough and hardy herbaceous sorts. Here, you are unlikely to run into any serious bother. These peonies are imperishably hardy and will outlive most of their owners. Do not be nervous of the family because their flowers look so exotic.

There is a mistake, however, which accounts for quite a few newly-planted specimens. Do not bury the crown of a new peony more than two inches below the soil level. On a heavy soil, an inch is enough of a cover. If you plant too deeply, you will stop a crop of flowers. Try to plant in early October, the best season for peonies which like to settle in. Be sure that you water freely during the first year especially if the spring weather is as lethally dry as this year's.

I think it is worth removing all the flower buds in a peony's first year, allowing it to build up strength. So long as they survive a dry first season the plants are almost fool-proof. In return, they cannot be fed too heavily — preferably with mulches of good old manure which should be dug into the bottom spade's depth below a deep hole for the peony's roots. Then fill round these roots with a rich open soil, leaving the manure beneath for their future discovery.

None of these tricks is difficult, least of all for plants which will last a lifetime. Almost any variety listed by Kelways is worth owning, though some of the pinks are best avoided if you dislike a bright rose in their colouring. I would put their recent Kelways Supreme at the top of any class. The broad flowers outlast any other variety, persisting from late May until early July. Their scent is strong and the autumn colour is of the best. At a height of 3 ft, you could space your plants 3 ft apart, the best distance for peonies. At £1.75 this peony and its long season are a bargain.

In a confined space, I would limit this variety's companions to a double yellow like Laura Dessert and the deep crimson of Inspector Lavergne. For the rest, I would spend a little more and take the wonderful pale pink and yellow-centred Bowl of Beauty, and Imperial variety with those petaloids which look deliciously Chinese. As a double pink, I have yet to see any finer than old Sarah Bernhardt, a taste which flower shows have not yet refuted.

Carmine, rose or lilac-pink are *strictly* for a second eleven. But shape would put President Poincare on to the inner list, an open and ruffled flower in bright ruby red, like some gorgeous double poppy.

I doubt if there has ever been an ugly peony. Some merely are less good than others but with these, I can assure you that any bout of peony-envy, even for a town gardener, would be cured.

GARDENS TODAY

BY ROBIN LANE FOX

Murphy to ride Fingal's Cave

RACING

BY DOMINIC WIGAN

FINGAL'S CAVE will not now be *ridden by Steve Cauthen in* Saturday's Irish Sweeps Derby, despite the fact that Yves Saint-Martin has been "claimed" to ride in France.

It had seemed probable that the American jockey would partner Fingal's Cave, given *Saint-Martin's absence, following* John Dunlop's statement: "I have been trying to get Yves Saint-Martin but he may be required by the Aga Khan in which case Steve Cauthen will probably partner my colt at the Curragh on Saturday."

Now it has been announced that Irishman, George Murphy, will partner Fingal's Cave and that Cauthen will probably be aboard Cobblers Cove.

In a quiet, ante-post market on the race yesterday neither Dunlop's charge—a 10-1 chance —nor the 40-1 outsider, Cobbler's Cove, attracted much interest. At present, Master Willie heads the betting at 7-2, half-a-point in front of Nikoli, whom I expect to see winding up clear favourite.

Following the announcement that Pat Muldoon has replaced Peter Easterby's stable jockey, Mark Birch, with Jonjo O'Neill for Sea Pigeon in the Coral Northumberland Plate, comes news that the Champion Hurdler is in good demand. A *close fourth in the race* two years ago, Sea Pigeon will challenge Boldboy's record winnings of £95,392 for a British-trained gelding on the flat if he is successful.

West Country racegoers have quantity if not quality in store at Salisbury today. With one maiden event having had to be split into three divisions, and another divided in two, there are nine races.

Lester Piggott, who paid one of his now infrequent visits to Brighton yesterday, when Royal Blood disappointed him and a good many others, has several likely looking mounts in prospect for Jeremy Tree.

The best of these is probably Jock Whitney's twice-raced Bright Landing in the Weyhill Maiden Fillies Stakes. Half-an-hour earlier that owner's Martial Arts—a reasonable sixth of 17 behind Carriage Way at Newbury on June 12—is suggested as one to pair with Twickenham in any forecast on the Gwen Blagrave Memorial Stakes.

Although Plain Tree disappointed badly last time out following a promising debut I am giving her another chance in the second division of the Pembroke Maiden Stakes, and rate her my two-star selection.

SALISBURY

2.15—Strawman
2.45—Sir Eamon
3.15—Twickenham*
3.45—Bright Landing***
4.15—Cifonelli
5.15—Plain Tree**

TV/Radio

†Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 10.30 Russian—Language and People. 10.55-1.15 pm Cricket: Benson and Hedges Cup Semi-finals. 1.30 Heads and Tails. 1.45 News. 1.55 Wimbledon Tennis Championships. 4.13 Regional News for England (except London). 4.20 Play School (as BBC 2 11.00 am). 4.40 The Record Breakers. 5.05 John Craven's Newsround. 5.10 Rentaghost.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Wimbledon Tennis.
7.40 It Ain't Half Hot Mum.
8.10 The Big Time.
9.00 News.
9.25 The Good Old Days.
10.15 The White Tribe of Africa.
11.05 Nijinsky: A Legend Recreated.
11.45 Weather/Regional News.

All Regions as BBC 1 except as follows:—

Cymru/Wales—5.55 pm Wales Today. 6.15 Heddiw. 6.35 Join BBC 1 (Wimbledon). 11.45 News and Weather for Wales.

Scotland—1.25-1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.45 News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News and Weather for Northern *Ireland*.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look Northwest (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
1.50 Cricket: Benson and Hedges Cup semi-finals and Wimbledon Tennis.
7.50 *One Hundred Great Paintings.*
8.00 Mid-evening News.
8.10 Dance Month: "An American in Paris," starring Gene Kelly.
10.00 Wimbledon highlights.
11.00 Newsnight.
11.35 Cricket: Benson and *Hedges highlights.*

LONDON

9.30 am Dynomutt. 9.50 The World We Live In. 10.15 Young Ramsey. 11.05 The Nature of Things (Holy Week in Egypt). 11.55 Barney Google and Snuffy Smith. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 Camera: Early Photography. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Live From Two. 2.45 Fantasy Island. 3.45 Square One. 4.15 [illegible]. 4.25 How. 4.45 Maggie's Moor. 5.15 The Brady Bunch.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Don't Just Sit There.
7.30 Coronation Street.
8.00 Here Comes Summer.
9.00 Jonathan Dimbleby in Evidence—A Force to Reckon With.
10.00 News.
10.30 Jonathan Dimbleby in Evidence—A Force to Reckon With (Continued).
11.30 Thames Arts.
11.45 Barney Miller.
12.15 am Close: Personal choice with Rita Tushingham.

All IBA Regions as London except at the following times:

ANGLIA

9.30 am I Am Fijian. 10.00 Fantasy Island. 10.50 Battle for the Bulge. 11.40 Halas and Batchelor Cartoon. 1.20 pm Anglia News. 2.45 End of Season. 5.15 Barney Miller. 6.00 About Anglia at *the Royal Norfolk Show*. 11.30 *Celebrity* Concert. 12.25 am The Big Question.

ATV

9.30 am La Gastronomie. 9.55 The Stationary Ark. 10.20 Morning Cinema: "A Matter of Life and Death," starring David Niven and Marius Goring. 1.20 pm ATV Newsdesk. 5.15 How's Your Father? 6.00 ATV Today including Police Five. 11.30 ATV Newsdesk. 11.35 *Superstar Profile*.

BORDER

9.30 am Animated Classic. 10.20 Untamed World. 10.40 Cartoon Time. 10.50 Jazz Series. 11.15 Technoflash. 11.35 The Count of Monte Cristo. 1.20 pm Border News. 5.15 Happy Days. 6.00 Lookaround Wednesday. 11.30 Barney Miller. 12.00 Brass In Concert. 12.45 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 5.15 Happy Days. 6.00 Report At Six. 10.28 Channel Late News. 11.30 Celebrity Concert. 12.25 am News and Weather in French followed by Epilogue.

GRAMPIAN

9.20 am First Thing. *9.25* Cry of the Wild. 10.50 The Jazz Series with Annie Ross, Bobby Wellins and Tommy Whittle. 11.15 George Hamilton IV. 11.40 Cartoons. 1.20 pm North News. 5.15 Happy Days. 6.00 North Tonight. 6.30 Police News. 11.30 Reflections. 11.35 Celebrity Concert. 12.30 am North Headlines.

GRANADA

9.30 am Sesame Street. †10.30 Wednesday Matinee: Joyce Grenfell and Sidney James in "The Pure Hell of St. Trinians." 1.20 pm Granada Reports. 2.45 Family. 3.45 The Amazing World of Kreskin. 5.15 How's Your Father? 6.00 Granada Reports. 6.30 This Is Your Right. 11.30 Rush.

HTV

†9.50 am "Top Of The Form," starring Ronald Shiner and Anthony Newley. 11.00 Sesame Street. 1.20 pm Report West Headlines. 2.45 The Love Boat. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Doctor Down Under. 11.30 Musical Specials.

HTV Cymru/Wales—As HTV West/HTV General Service except: 11.55 am-12.10 pm Fialabalam. 1.20 Penawdau Newyddion Y Dydd. 1.25-1.30 Report *Wales Headlines*. 4.45-5.15 Ni A Nhw. 6.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH

9.30 am Survival. 10.20 You're Only Young Twice. 10.50 Morning Movie: "Return Home." 1.20 pm News and Road and Weather. 2.45 Power Without Glory. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Emmerdale Farm. 11.30 Late Call. 11.35 Music At *Harewood*. *12.05 am Police Surgeon*.

SOUTHERN

9.30 am Animated Classics. 10.15 Survival Special. 11.10 Lucan. 1.20 pm Southern News. 2.45 End of Season. 5.15 Mr. Magoo Cartoon. 5.20 Crossroads. 6.00 Day By Day. 6.35 Scene Midweek (South-East area only). 11.30 Barney Miller.

TYNE TEES

9.20 am The Good Word followed by North-East News. 9.30 Get The Picture. 10.00 David Hand Cartoon. 10.10 Celebrity Concert (Neil Sedaka). 11.00 Up And Away. 1.20 pm North-East News and Where the Jobs Are. 2.45 Andy. 3.15 In Search Of . . . Physic Detective. 5.15 Laverne and Shirley. *6.00 North-East News*. *6.02* Crossroads. *6.25 Northern Life*. 11.30 *Power Without* Glory. 12.30 am It's Only Natural.

ULSTER

10.05 am Young Ramsay. 10.50 The Jazz Series. 11.15 Untamed World. 11.40 Cartoon Time. 1.20 pm Lunchtime. 2.45 Survival Special. 4.13 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Want A Job? 6.30 The Flintstones. 11.30 The Electric Theatre Show. 12.00 Bedtime.

WESTWARD

9.30 am Larry the Lamb in Toytown. 9.45 Sesame Street. 10.45 V Boats — *Cats and Docks*. 1.20 pm Westward News Headlines. 5.12 Gus Honeybun's Birthdays. 5.15 Happy Days. 6.00 Westward Diary. 10.31 Westward Late News. 11.30 Celebrity Concert. 12.25 am Faith For Life. 12.30 West Country Weather.

YORKSHIRE

9.30 am The Nature of Things. 10.20 "The Crimson Pirate," starring Burt Lancaster. 1.20 pm Calendar News. 2.45 Tenderra. 5.15 Survival. 6.00 Calendar (Emley Moor and Belmont editions). 11.30 "The Engagement," starring David Warner.

RADIO 1

(s) Stereophonic broadcast
* Medium wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.0-5.00 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2. 2.03 pm Ed Stewart's Request Show (S). 4.03 Much More Music (S). 6.03 John Dunn (S). 8.02 With Radio 2. 10.00 With Radio 1. 12.05-5.00 am With Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.05 pm David Hamilton (S). 2.03 Wimbledon Tennis. 7.00 John Dunn (S) (joins vhf). 8.02 Listen to the Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Among Your Souvenirs (S). 9.55 Sports Desk. 10.02 Punch Line. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Shostakovich. 10.00 Music for Organ (S). 10.40 Song Recital (S). 11.35 BBC Scottish Symphony Orchestra (S). 1.00 pm News. 1.05 Jakob Gimpel piano recital (S). 2.00 Music Weekly (S). 2.50 Fifty Years of British Music (S). 3.30 Oboe and Piano recital (S). 4.05 l'Ecole d'Orphee (S). 4.55 News. 5.00 Mainly for Pleasure (S) († and mono *only from 6.20*). 7.00 BBC Welsh Symphony Orchestra (S). 7.50 Melancholy: Memoir of a Man in Middle Age (story). 8.30 College Concerts, part 1 (S). 9.05 Six Continents. 9.25 College Concert, part 2 (S). 10.10 On the Rails. 10.40 The English Ayre (S). 11.00 News. 11.05-11.15 Gustov Holst (S).

VHF only—Open University—6.20-7.00 am and 6.20-7.00 pm and for Scottish students only: 12.00-1.00 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News headlines, 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-week with Russell Harty. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 Baker's Dozen (S). 12.00 News. 12.02 pm You and Yours. 12.27 Just a Minute (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (S). 4.00 Choral Evensong (S). 4.45 Short Story. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Person to Person. 8.45 Analysis. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Jason *Explanation of Religion* (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. *8.00 Question Time from the House of* Commons. 9.00-5.00 am Join Radio 2.

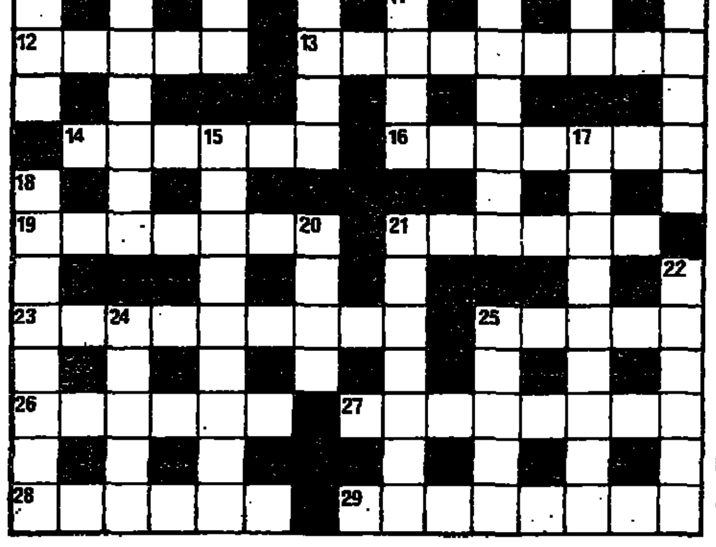
London Broadcasting

6.00 am AM with Bob Holness and Alan King. 10.00 Brian Hayes. 12.00 LBC Reports. 8.00 pm Jazz After Eight. 9.00 Nightline. 12.00 LBC Reports Midnight. 10.00 am Night Extra. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Mike Allen (S). 1.00 pm London Today First Report (S). 1.10 Mike Allen (continued). 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's "Your Mother Wouldn't Like It." (S). 11.00 Tony Myatt's Late Show (S). 2.00 am John Sach's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,306



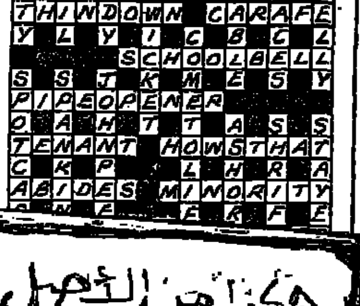
ACROSS

1 A pitiful tale cries conservative (3-5)
5 Scratch the ground and *graze* (6)
9 Short-range missile launcher (8)
10 Threaten little devil with death (6)
12 Gauge a potentate . . . (5)
13 . . . according to last actor (9)
14 Trade in one's own name (6)
16 Talk glibly to Pole and model (7)
19 Be loquacious when the film's finished (4, 3)
21 Sour-tempered doctor got up (6)
23 Bribe member of shooting-party and lubricator (6-3)
25 Unit of the Marines? (5)
26 Use them briefly before manoeuvre (6)
27 Struggle awkwardly with fish (8)
28 Sneak in a bank (6)
29 Sour producer upset beer-cart (4-4)

DOWN

1 Firmly fixed in dry river (6)
2 Weapon for a formidable woman (6-3)
3 Knock gently and hesitate to come to a point (5)
4 Soldiers fail in duty and [illegible] back (7)
6 One who arrives outside citadel in a scarf (9)
7 A ray alongside a ship (5)
8 Tolerating finish around old city (8)
11 Cut a season's yield (4)
15 What the clumsy ice-cream salesman does for cake (4-5)
17 Fragment in feast for Cockney (4-5)
18 Totters in this paper just a little (8)
20 Dull old fellow in thick mist before the end of January (4)
21 One who mutilates and could be smoother (7)
22 Crop up in eastern plunge (6)
24 Throw out unknown quantity in mixed peel (5)
25 Descriptive of nail, screw, or hole (5)

Solution to Puzzle No. 4,305



هكذا من الأصل

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit cards 240 5258. Reservations 836 3161. NUREYEV FESTIVAL. Last Two Weeks. Until July 1: Don Quixote. July 2 to 5: Homage To Balanchine. Evgs. 7.30. [illegible]

THEATRES

PALACE. S. CC. 01-437 6834. Mon.-Thurs. 8.00. Fri., Sat. 6.00 and 8.40. JESUS CHRIST SUPERSTAR. LAST 8 WEEKS.

[illegible]

CINEMAS

CLASSIC 1, 2, 3, 4 St. Oxford St. 01-636 0310 (opp. Tottenham Court Rd. Tube). Fully air conditioned. 1: GREASE (A) 1.15, 5.05, 9.05. SATURDAY NIGHT FEVER (A) 3.10. [illegible]

ART GALLERIES

[illegible]

CLUBS

[illegible]

EXHIBITIONS

[illegible]

CLASSIFIED ADVERTISEMENT RATES

[illegible]

THE ARTS

Festival Hall

Fauré and Janacek

by DOMINIC GILL

Fauré's Requiem and Janacek's Glagolitic Mass make a happy concert coupling. The author of the one was not a serious believer, and of the other a most unorthodox theist —and each work in its very original fashion is the very antithesis, formally and spiritually, of the traditional Mass with its insistence on the terrors of the Dies Irae, the fears of eternity.

"A Requiem without the Last Judgment": in his warm, clear and uncluttered account with the Philharmonia Orchestra and the London Choral Society on Monday, Simon Rattle was at pains to underline the radiance and quiet ardour of the music. His smooth and forward-moving way with the "Sanctus" caught its piety without sanctimoniousness; in his accompaniment to the slow-swelling "Hostias," rather glumly sung by Jonathan Summers, he very delicately pointed the sway and lilt of a Barcarolle. He coaxed from the choir much unusually fine-grained texturing: and in the "Kyrie" some beautiful *pianissimo singing. The Festival Hall* organ has just the right innocent-toned four-foot flute stop for the timeless ostinato bird-call of the "*In Paradisum.*"

By contrast, after the interval, he caught the rawness—as well as the precision—of Janacek's vocal and instrumental writing, high on low, hard on soft, deep strings on shrill brass. The reading was for the most part admirably paced; even if, in his concern for the continuity of long paragraphs, some moments of mystery were a little lightly passed over—the yearning in the repeated cry of "Veruju"; and from time to time the darker shadow of a phrase, as it passed. A fumbled organ Postlude, and an alarming tendency of the soprano soloist, Laverne Williams, to pitch her high notes somewhere between a note and shout, were disappointments; but the performance was otherwise splendid in its jubilation, and its invocation of elemental force.

Bush

Commitments

by B. A. YOUNG

Dusty Hughes's play treats of a nest of Trotskyists variously devoted to their cause. Hugh (Alan Rickman), who owns the flat where it all happens, isn't committed at all until, out of good nature, he has taken on the task of delivering the Socialist Daily in the industrial north, when he drifts into the movement. Claire (Paola Dionisotti) and Willie (George Irving), who share a bedroom, are deeper in, Claire especially. She is a pop-singer, a middle-class young *woman* trying to identify with the workers, and stands as a candidate for her party, the Revolutionary Socialist *Party, in the March* 1974 election. Willie's membership, dependent on her, is a strain on an already untidy life that ultimately leads to a nervous breakdown.

Satellites attach themselves: Ingy (Deborah Findlay), a refugee from the consequences of her actions for the Baader-Meinhaff gang; Buffo (Bryan Coleman) an ageing homo from the flat below, whose friend is in hospital; Arnie (Jack Chissick), who turns up occasionally to give orders, cadge food or parry Ingy to save her from deportation.

The play is a still life, but I *say this in no adverse way.* I found it magnetic to watch the development of these different people through crises that, in their tense private world, seem to offer paradise or threaten the end of the world, but that to non-members might seem trivial. The characters are drawn with minute accuracy, and they behave as such people would behave, without any firm dramatic progress being required of them. The acting of them all is impeccable.

There is no conclusion. Each individual has reached another point in his or her life, and his or her life will go on according to the next impetus. There is no question of tying up loose ends, for there are no ends to tie.

The direction by Richard Wilson is faultless, the set, by Sue Plummer, with its endless shelves of books, its untidy jumble of papers, is exact.

★

Jeeves Takes Charge, some dramatised Wodehouse arranged by Edward Duke and acted by him, opened on Monday at the Lyric Hammersmith Studio. I couldn't go, but I've already seen this performance and recommend it for its authoritative fidelity to its original and the able playing of Mr. Duke.

Elizabeth Hall

Roger Woodward

by DAVID MURRAY

Monday brought the penultimate instalment of Woodward's current Beethoven sonata cycle. Followers of Woodward's form will be relieved to learn that his recent honour has not tamed his personal daemon in the least degree; it still drives him headlong into chartless musical territory. On Monday it had him up a tree, and kept him there.

The principal work was the "Hammerklavier" Sonata, to which the pianist has often done honour, and in radically imaginative ways. There was, however, a pair of lesser sonatas to precede it, the "Pastorale" op. 28, and the limpid, gracious op. 78 piece in F-sharp. As if to emphasise their *nullity* in the face of the great op. 106 work, Woodward despatched them with off-handed contempt. *The Allegro of the "Pastorale"* floated limply in a wash of pedal, and the redeeming detail of the later movements was rendered *down into* soap by similar means. It was the most featureless playing I have heard from him. Op. 78 began, unbelievably, with its Adagio cantabile made into a quick grimace. None of the repeats were taken, plainly for unfriendly reasons.

The "Hammerklavier" might have excused everything, but from Woodward's strange vantage point it seemed to wear a baleful aspect. As usual he swept up the Allegro at a daring tempo, with the central fugato a baying hunt: clarity was at a premium, however, and the sense had often to be taken on trust. The bizarre elements of the Scherzo were made doubly so. The Adagio was absorbing in an alien way, even *moving—but with a minimal* effect of movement: remote, elusive sonorities brooding over a fractured, unfollowable beat. *The Allegro* risoluto came in fitful bursts, and its contrapuntal workings foundered early. As footnotes to great works go, this performance was a set of feverish graffiti.

Phoenix, Leicester

Killer on the Dance Floor

by ANTONY THORNCROFT

A few weeks ago two seasoned musicians, Trevor Horn and Bruce Woolley, wrote the best-selling record of the time, "Video killed the radio star." They obviously liked the idea for, with the assistance of jingle writer Rod Thompson, they have produced a musical based around the same theme, currently receiving its world première in their native Leicester.

But whereas the hit was a jolly little tune the stage show is a much more sober, not to say downright depressing, work. We are in "1984" territory, with a docile population being governed by television screens and encouraged to despise the 5m "zeros," the unemployed untouchables. The big visual treat of the week is a programme featuring Vampirella (Aletta Lawson) who after interviewing dissidents gets the viewers to *press the "hate"* button and exterminate them. In fact there is a great deal of facile violence in a plot with a very negative view of life.

Fortunately this does matter too much given the frenzy of the production. With a rock quartet in one corner, a reversible stage; and mountains of video screens and technology, plus garish costumes, nasty effects and some quite good songs *Killer on the Dance Floor* hardly leaves room for boredom. From the opening sequence of a back projection motor-bike ride to the "it was all a dream! or was it?" ending, the audience is pelted with images, if not with much sense.

Actors of the like of Carol Cleveland have little chance to make an impact before it's on with another costume and there goes our music. A trail of record company executives and West End impresarios is winding to Leicester. They probably think there is something there, not least songs like "Needle Time" and the title number, but some humour, a touch of acting class, and less gloom in the plot line would be welcome. Even so, as British musicals go *it went quite well.*

Television

Through the glass boat

by CHRIS DUNKLEY

A "window on the world" is one of the oldest and commonest clichés used to describe television but it is not really a very accurate metaphor. Most windows stay still and provide the same view all the time. Television is more like one of those glass bottomed boats which offer Caribbean tourists a sight of the passing depths: *here a glimpse of angel fish*, there a bit of coral, here a lurking grouper, there the pathetic remains of some ancient glory *manifested in a wreck.*

In the past week the boat has allowed us to peek through the glass into the domain of the *Headland family in Corby* and watch briefly and with a sense of unavoidable intrusion while their lives collapsed owing to the debacle *in the British steel* industry. The programme, *Nobody Asked Us*, on BBC1, was made by Paul Watson who also *made the famous series* called *The Family* about the Watkins of Reading.

There were similarities: the realisation that *family conversations* involve little logic but much intuition. The sense of eeriness as we watched the screen *showing the glum Sid* Headland watching *his* screen showing infants' daytime programmes. And, probably Watson's most *important* contribution to this sort of television, the vivid demonstration of how so many people feel that things happen to them *irresistible*: Government things, management things, union things.

The Headlands were far from *spineless or defeatist; the* programme ended with stout talk of moving to Cornwall and going into offshore fishing. Yet *it was very sad, as was the* Thames programme about the people on the council estate in Londonderry, *Creggan*. Producers *Mary Holland* and Michael Whyte provided a unique opportunity to look back at the outside world from the *standpoint of those more usually* the object of curiosity themselves, starting with an almost symbolic shout through the window of one of the Creggan houses towards that soulless "town planning."

In both Corby and the Creggan *it is possible*, of course, for viewers not only to gaze into the unfamiliar worlds but also, and probably more important, *to listen* to what is being said by the inhabitants. But it is not quite as easy as that when the television boat brings its glass panel to bear on Zanskar in BBC2's four part series *The Last Place on Earth.*

After all the years of Technicolor travelogues it is impressive to be able to say that this is a quite outstanding series, and not just because of the almost hallucinatory clarity of colour and depth of field achieved with film cameras at great altitudes. In a cragfast Himalayan valley, reached only by crossing a torrential river via a sagging bridge hand-woven out of twigs, Tibetan expert Michel Peissel has been conducting us around what appears to be an authentic Shangri-La. Isolated from the rest of the world, the people have retained their medieval way of life and so far as one can tell from facial expressions and Peissel's interpretation they are (as he tells us a little too insistently perhaps) extraordinarily gentle and contented.

It emerged in Programme 3 that their idyllic society with its absence of a money economy, its plentiful food, adequate land and—sustaining all this—virtually zero population growth depends upon a most curious social system which some, especially the younger sons and daughters among us, might find less than ideal. Not only does it permit polyandry and maintain the right of primogeniture, it requires that a remarkably large proportion of the population be cooped up for life in monasteries and nunneries in a state of chastity. Hence the stable population.

I suspect nonetheless that Peissel is right when he says that we in our frenetic world *have much to learn from them*, and I am certain that the fears he expresses repeatedly about the new highway and consequent tourism are entirely justified. His guilt about being the man steering the glass bottomed boat and thereby *speeding that outside encroachment* is also understandable. Yet the programmes are truly fascinating and in them producer Peter *Montagnon* has, in my view, come close to attaining what he was never remotely likely to achieve in the whole of his *Long Search* series.

★

The case of the BBC news coverage of the Iran Embassy siege *becomes curiouser* and curiouser. After the BBC's reporter at the event had been bathed in waves of overspill from the euphoria in the Press following the great British "victory" this column ventured to express a mild doubt. Things seemed a trifle confused during that notorious news broadcast from Prince's Gate, it was suggested, and it wasn't even clear whether the explosions were from within or without.

Several readers wrote to say how relieved they were to read confirmation of their own impression that the BBC lady had seemed out of her depth. They too had been badly misled by the broadcast. But *Alan* Protheroe, editor of BBC TV News, took great exception and wrote to the Financial Times defending his reporter and also his own blithe assertion in a magazine article that "Our assessment made at the earliest stage turned out to be absolutely correct: we were sure this siege could not be resolved without the intervention of the SAS or a similar group." His letter claimed grandly that "journalists have a pretty good idea of what's going on."

Odd then that, as Observer editor Donald Trelford pointed out in the first of a new series of *The Editors* on BBC1, the BBC news broadcast from the siege, far from spreading understanding, gave massive circulation to misunderstanding since so many viewers were given the impression that the whole thing had gone disastrously wrong.

More curious still, though, was Mr. Protheroe's explanation on *The Editors* of how he knew about the inevitable end of the siege. It was, he said, as a result of certain knowledge conveyed to him "as an individual" (whatever that means—*not* as editor of BBC News?) that he was able to conclude as early as Wednesday night that the affair would have to end in violence. Perhaps, he suggested pointedly, it was the analysis of Professsor John Gunn, the psychiatrist who was briefing the police, which resulted in this conclusion.

But Professor Gunn who was also on *The Editors* promptly made it clear that on the police side nobody realised until the very last moment on the Monday (five days after Mr. Protheroe had realised) that such an outcome was going to be necessary. The mystery, then, is why Mr. Protheroe waited until after the event to declare his unique foresight instead of telling the police as well as his own reporter on the spot in time for the informatiton to be of some practical use? Most curious.

But then the ways of the BBC sometimes passeth all understanding. Why, for instance, do they believe that it is a good idea to restrict their only programme about journalism—*The Editors*—to the silly season? What is it that makes the ethics and antics of the Press and broadcasters (over France this week) seem so much more interesting in the summer?

★

The best thing to happen to BBC news presentation for a decade or so has been the arrival of Jan Leeming who not only looks good (that being, it seems, the main criterion today for choosing news readers) but sounds good too. Her diction is clear and free of the hilarious emphases on words such as "guerrilla" and "Nkomo" which became a standing joke with Angela Rippon. How sad then to hear Jan Leeming announce on Thursday—even if she didn't write it herself—"The organising committee will comprise of. . . ."

Scene from BBC2's 'The Last Place on Earth'

Covent Garden

Norma

Monday's *Norma* was dis turbed by the continuing "industrial disagreement" that has impinged upon recent Royal Opera revivals; but, while this reduced even further the scenic variety of a staging already pared down to the point of monotony (and, as a by-product, it seems, wafted a nauseating smell of glue through the house), this was not the principal cause of a centreless, and therefore, lifeless performance.

Not to mince words: this was a *Norma* materially without an effective heroine. The title role of Bellini's opera, one of the noblest, grandest, and most demanding in the soprano repertory, will simply not admit of major inadequacies—no disguise is possible, no alternative focus permissible. Elsewhere in the revival there could be found attractive features — good, sturdy singing, not stylish but honestly delivered, from Charles Craig's Pollione; a strong Oroveso (Robert Lloyd); decent orchestral and choral activity under Lamberto Gardelli, an always sympathetic *conductor* (apart from an early and soon moderated tendency to push the tempo too unyieldingly forward); and, *best of all*, Agnes Baltsa as an Adalgisa of ravishing vocal lustre, admirable verbal distinctness, and sure dramatic purpose—as good as a mezzo-soprano can be in what is properly a soprano role.

But these virtues had, after a while, the effect of underlining the temerity of casting Sylvia Sass as Norma. Miss Sass is a physically handsome young (not yet 30) performer of abundant natural talent; but that talent has become increasingly obscured in a welter of mannerism, vocal and dramatic, of a kind that one senses intimately bound up with an imperfectly finished vocal technique. So much was clear in her Royal Opera *Ballo* Amelia and *Don Carlos Elisabeth;* how much more so in her Norma! No useful purpose will be served in examining in too close detail the Statue of Liberty acting style, the gaze addressed for long stretches at a time to the floor, the *inability* (in an opera where perfectly formed declamation is almost the highest requirement) to sing clear *words, the ventriloquist's-doll* quality of the vocalisation even when prettily shaped.

These are symptoms of a larger and much more important failure: the failure to conceive a quintessential *bel canto* role in terms of vocal line. Miss Sass's Norma has almost no line at all: it is parcelled out in artful tiny segments. The drama cannot grow from the music, *and so the character has no* real existence. This may seem harshly put—it is not, after all, Miss Sass's fault that the Royal Opera invited her to undertake the role in London. But truth, and Belini, must also be served.

MAX LOPPERT

Holland Festival

Medieval musicircus

by NICHOLAS KENYON

The small but magnificent moated brick castle of Muiderslot, some twelve kilometres *outside Amsterdam, has been* celebrating its seventh centenary this year. The Holland Festival, always willing to try out unfamiliar repertoire and new ideas of concert-giving, devised an evening of medieval music which was given seven performances to overflowing audiences in the castle.

The climax of the programme was an open-air staging of the Play of Robin and Marion, written by Adam de la Halle probably in the 1280s, the same decade that Muiderslot was built. But this was surrounded by a delightful selection of other small concerts: in the courtyard, interrupted by appreciative *comments from nearby* sheep and goats, the Ensemble Kaproen gave cornet and sackbut music, and some lovely lute *songs by the Dutchman* Constantin Huygens. Inside the castle, the Bishop's Chamber was a setting for a harpsichord *recital by Ton Koopman or Tini* Mathot; up on the first floor, the Camerata Trajectina gave a programme of early renaissance music.

Because audiences were so large, commuting around these concerts was impossible—every room was packed. I stayed in the courtyard for the first part, and then squeezed into the wood-panelled, candlelit *Ridderzaal for the second part.* Here the Ensemble Sequentia (a consort of four, mostly Americans, based in Cologne) gave a *revelatory* programme of traditional and avant-garde music from the late 13th century, including some of de la Halle's *chansons and the far* weirder, striking pieces of Jehan Lescurel.

The group's corporate style is sure and well-developed: the two singers perform from word-books, and the instrumentalists improvise their accompaniments throughout. I am not sure that the items need to be so consistently linked by drones. But the continuity of the performance is compelling. Barbara Thornton has a forward, throaty voice, somewhere between Jantina Noorman and Monserrat Figueras; she does not eschew emotionalism, and the result—especially in such a small room, *where we can see* the performer's eyes and gestures—has surprising power.

After that, it was back to the courtyard for Robin and Marion. This early pastoral makes, in fact, very limited use of music: apart from a few songs and some interpolated fanfares the entertainment is mainly spoken—and spoken in obscure Middle French (helpfully translated in the programme into Dutch). But this lively, vigorous production was commendably *faithful, resisting* the temptation to extend the songs or over-elaborate them. The sheep and goats now *roamed freely on the wooden* stage: Christian Landy and Beatruce Cramoix were an appropriately earthy pastoral couple, and Pierre Danais was a dignified knight on an exceptionally well-behaved horse. As the light faded in the courtyard, the wonders of electricity played their part; but apart from this, and the occasional passing jet, the whole evening began to give a feeling for what it might have been like to encounter 13th-century music and drama in the 13th century. Among all the Holland Festival's hit-and-miss experiments, this was one that worked.

★

There was less baroque music than usual in this year's Festival. But at an important concert in The Hague, the new Harlequin Baroque Orchestra was launched in an all-Rameau programme with the Collegium Vocale of Ghent. Ton Koopman directs the band; it is led by Monica Huggett and includes many English players—can it be that we are now catching up with the high standards of Dutch baroque performance? The orchestra played some vivid, rather rushed selections from Rameau's dances for *Les Indes Galantes*, but the concert was more notable for the choir's accounts of the composer's three rarely-heard motets. *Laboravi clamans* was done unaccompanied, with wonderful flexibility and grace; *Quam dilecta* and *In convertendo* used the full forces, with soloists *(including the counter-tenor* David James. Under Philippe Herreweghe's direction, there was none of the too-familiar *insistent, hard-hitting baroque* style: everything flowed, sensually and expressively. I hope this concert finds a place in Lina Lalandi's next English Bach Festival.

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Creating the needed skills

UNEMPLOYMENT RATHER than inflation, could be the Government's most serious economic problem as it returns to face the electorate in 1984, at the end of the present Parliament. The 51,000 jump in seasonally adjusted unemployment announced yesterday, underlines the magnitude of the task which the Government and the nation will have to face in the years ahead.

Concern about the figures is fully consonant with support for the broad thrust of the Government's economic policy. For even though the Government's emphasis on fighting inflation may apparently lead to higher unemployment over the coming months, experience in Britain and every other industrial country shows that the structural dislocations which create unemployment are almost impossible to tackle in a highly inflationary environment. Thus the Government is right to give priority to controlling monetary growth and public spending and to removing the underlying causes of inflation. This does not mean, however, that inflation is the only, or even the most important, cause of unemployment, and that nothing more can be done until inflation is safely under control.

Basic costs

Rising unemployment is a worldwide phenomenon whose roots must be sought in the changes which have taken place in the world economy during the past ten years. It is common knowledge that soaring energy and raw materials prices have altered patterns of demand and the economics of manufacturing processes in deep and irreversible ways. Technical change, and its exploitation by competitors from the new industrial powers in the Far East, have made much of the Western World's capital stock obsolete. But what is less widely understood is that these irresistible trends have also rendered obsolescent much of the "human capital" represented by the skills and traditions of the labour forces which have worked in the industries which are now in decline.

Adapting this human capital to the new opportunities for profitable employment which spring up as the economic order changes is the great challenge which governments, employers, workers, and unions all over the world must now face. In Britain, where union resistance to change has been singularly strong; where workers have been especially jealous of their traditional skills; where manufacturing industry has been unusually dominant; and where its structural decline is now being accelerated by North Sea oil, the challenges of this adjustment are uniquely daunting.

In view of the overmanning which became endemic in British industry during the decades of resistance to change, the present shakeout in the labour market is an inevitable, and in some way reassuring, sign that the Government is in fact forcing this adjustment to the realities of world economic competion to take place.

But the really difficult part of this adjustment is the positive side, which involves the reconstruction of an industrial and service economy that can compete against the world, while employing productively the whole of Britain's labour force. The Government intends to rely on market forces to ensure that capital is channelled into the industries and areas which will play a part in achieving this goal. But in the reconstruction of Britain's stock of human capital, on which much of this physical regeneration will depend, the Government may need to play a more active role.

A greater responsibility for investment in human capital, through retraining and education, arises for the Government in a period of rapid economic change. Individual employers will not always have the incentives to provide the training opportunities which the economy needs, while many of the unemployed are unlikely to possess the necessary resources or knowledge to retrain themselves. Greater efforts need to be made to encourage the unemployed to retrain or relocate into skills and areas in which their labour will be in demand.

Uncertainty

All of these objectives are made more difficult by inflation, which causes uncertainty, reduces investment and forces the Government to restrict its spending, often at the cost of the unemployed, as in the case of the social security cuts. Furthermore nothing substantial can be achieved by the Government alone. Unions must co-operate fully by abandoning restrictive practices and opening skilled jobs to trainees who have not "served time." Employers must have the foresight, and the incentives, to invest in capital and human resources whose products the world economy will demand. But the Government must not forget that it, too, has a positive part to play.

Revolutions in the making

THE NEWS that has come out of the Caribbean and Central America this month has emphasised as never before that the region is rapidly becoming one of the world's major trouble spots. In the Commonwealth Caribbean three territories have reported serious acts of violence. In Jamaica army officers appear to have been hatching a coup against the Government of Mr. Michael Manley in collusion with a small civilian opposition group. In Guyana the chronic political troubles of Prime Minister Forbes Burnham have been exacerbated by the death in mysterious circumstances of Dr. Walter Rodney, a leading member of the Opposition and an intellectual with a wide following in many parts of the Caribbean.

From Grenada has come news of an abortive attempt on the life of Mr. Maurice Bishop, the revolutionary leader who seized power from the discredited regime of Sir Eric Gairy in a coup d'etat on the island last year. The French and Dutch speaking territories are not without their troubles either. In Guadeloupe and Martinique there have been strikes and unrest as protests have been expressed at the form of France's administration of islands which are, in theory at least, departments of the mother country. The continuing exodus of people from Surinam to the Netherlands both before and after the coup d'etat against the Government of Mr. Henk Arron has demonstrated that all is not well in that country.

Trigger Happy

The flood of people who have already left Cuba and the numbers of people who appear to have applied for permission to quit and have no immediate prospect of emigrating is commentary enough on the Government of President Fidel Castro.

The Cuban aggression against a Bahamian gunboat, carried out in Bahamian waters which resulted in the deaths of several Bahamian sailors shows that some Cuban air force pilots are too trigger happy for safety.

Less publicised than the Cuban exodus but equally wretched and longer establisehd has been the drift of Haitians away from the regime of the Duvaliers.

Such was the hopelessness of life under the Duvaliers, father and son, that tens of thousands of their subjects preferred to cast themselves adrift in open boats rather than remain at home.

No less dramatic is the situation in Central America. The general strike called this week by the moderate and Left-wing opponents of the junta in El Salvador and the death toll that so far this year has numbered more than 3,000 people is further proof—if further proof was needed—that that country is in the deepest crisis.

Lessons

To the south in Nicaragua the Government is seeking to establish its own identity and repair the social damage brought about by four decades of rule by the Somoza dictatorship and the physical damage wrought by the ousting of the last Somoza last year. On El Salvador's northern border lies Guatemala where in terms of bloodshed and unrest the situation is becoming as grave as it is in El Salvador.

The lessons to be drawn from this catalogue of disorder are not far to seek. The principal one is that the worst trouble and unrest have come from countries where political and economic progress has been blocked by rigid, unyielding governments which have been deaf to popular demands for change.

This is, in the first instance, a task for the U.S. which has for some decades past had a predominant influence in the region. President Jimmy Carter has sought to improve the processes of policy making with regard to the region and the fruits of Mr. Carter's interest and initiative should in due course be manifesting themselves.

But Britain, France, the Netherlands and the EEC as a whole must also urgently reassess and strengthen their policies towards an area which is becoming increasingly turbulent.

Sir Yue-kong Pao humbles 'a princely Hong'

BY PHILIP BOWRING

WHAT KIND of man is it who with a few weekend phone calls can, on his own account, summon up £200 million to spend first thing on Monday morning? That is what Sir Yue-kong Pao, the shipping magnate, has just done to the amazement even of fellow mega-millionaires in Hong Kong.

Pao family interests, acting through merchant bankers Wardley, shelled out HK$ 2.2bn on Monday morning in a daring raid to boost holdings controlled by them in the Hongkong and Kowloon Wharf and Godown Company from 30 per cent to 49 per cent and thwart a slower moving offer announced on Friday by the Hong Kong Land Company to raise its stake to 49 per cent.

The war for control of Wharf may not be over yet, but Sir Yue-kong has won a major battle and humbled the "princely Hong," otherwise known as Jardine Matheson, which is closely linked to HK Land. Jardines wanted to prevent Sir Yue-kong from gaining control of Wharf, traditionally one of its own satellites.

No one ever doubted that Sir Yue-kong was rich. His World-Wide Shipping group has for several years made him the world's largest independent shipowner. Nor did anyone doubt that he had friends in high financial places. For a start, he is deputy chairman of the Hongkong and Shanghai Banking Corporation and a major and long valued client of the Industrial Bank of Japan and Chase Manhattan Bank, among others. Even so, his raid was breath-taking.

The size and the daring of the thrust seemed to fit not only with the character of Hong Kong's spritely stockmarket and with the dash and glamour that so often surrounds shipping magnates. But in fact both are out of character. Nothing could be further from Pao the man and Pao the businessman than the high stake gambles and international jet-setting image often associated with other shipping names like Onassis and Niarchos. The difference may indeed explain why Pao found such ready access to instant cash.

Pao started life as a banker. From his courteous relaxed manner to his well-cut but inconspicuous suits he remains the very image of a banker. He works long hours, keeps fit by swimming, does not smoke or drink. But he lacks the intensity, and perhaps the ruthlessness of many of his fellow Hong Kong billionaires.

He has always consciously run his shipping business like the banker he is—seldom taking risks, matching ship buildings to charters, favouring low but secure returns. He is remarkable not so much because of his wealth but by the fact that he was knighted (in 1978), was the first Chinese to join the board of the Hongkong Bank, and is the chief spokesman for Intertanko (the organisation of independent tanker owners) in the struggle against Third World countries over demands for a share of the world's cargo trade.

It is perhaps uncharacteristic of Pao that he should have become involved in such a public contest over Wharf and found himself bidding a very high price indeed—the yield on his new Wharf shares will be only 1.3 per cent at a time when money in Hong Kong is costing 13 per cent. Maybe Pao is more at home on the water than on land.

This is his first significant venture outside shipping. Whether his move on to and into land stems from concern about the long-term future of independent shipowners, a change in attitude to the future of Hong Kong itself, or simply a desire to have more "presence" in Hong Kong is not clear.

Chinese faith in fixed and tangible assets has in Pao's case always been tempered by wariness of political risk. That, it is said, is why he got into ships in the first place—a fixed asset but one which could be moved out of reach of revolutions.

Pao works long hours, keeps fit by swimming, does not smoke or drink

Born in 1918 in Ningpo, Pao comes from a Shanghai banking family which lost much but not everything when the Communists came to power in 1949. By then Pao had left for Hong Kong. He did not buy his first ship until 1955 and it was only in the late 1960s that the explosive expansion of his shipping empire began. Pao established himself as the key financial intermediary between shipping lines on the one hand and bankers and builders on the other.

The basis of his success was the shikmuisen deals with Japanese lines, mainly Japan Line and Sanko. Shikmuisen, which means "switchback" was a technique which helped the dramatic expansion of Japanese shipping companies through long-term charters with foreign—mostly Hong Kong—owners. Foreign ownership and usually Liberian registration enabled the lines to use cheaper crews than available in Japan. As important, it gave Japanese lines indirect access to advantages of cheap credit available from Japanese yards to foreign owners. It enabled their operations to expand faster than their capital bases. And there were no worries about tax, Hong Kong in effect does not tax shipping profits.

Despite rapid expansion of his tanker fleet in the early 1970s, while other tanker owners were gravely, some fatally, injured by the tanker crisis which stemmed from the 1974/75 recession, Pao was probably strengthened by it. His long term charters came throughout almost unscathed.

Another important mutually beneficial arrangement has been with the Hongkong Bank. An early backer of Pao, it has 45 per cent of World Shipping and Investment, 50 per cent of World Maritime, Pao's two major private companies, and a small stake in his main public vehicle, Eastern Asia Navigation.

The Hongkong Bank connection helped Pao to finance additional to that available from shipyards. Another banking tie has been with the Industrial Bank of Japan. Pao, the IBJ and the Hongkong Bank together own World Finance International, the group's financing arm.

How much Pao's shipping empire is worth is far from clear to an outsider as most of it is held by private companies. The group fleet now totals about 20m gross tons. Of this roughly one third is held by the two quoted vehicles Eastern Asia Navigation and World International. Together these two have gross book assets of about HK$5bn and net assets of about HK$1.4bn. They made HK$255m between them last year. If they are representative of the group as a whole it would indicate—to use very rough figures—gross book assets of World-Wide of HK$15bn, net assets of HK$4.2bn and profits last year of HK$750m, more than half of which would be attributable to Pao and his family.

Clearly, Pao is very wealthy. But the HK$2.2bn payout to add to his Wharf stake is huge even by his standards. He must now have spent, at the very least, HK$3.5bn for his 49 per cent of a company which this year will probably earn his companies dividends of a mere HK$80m. Why did he do it?

Clearly Pao is not moving out of ships. In the past year, World-Wide has been on another buying spree. It now has orders on hand for some 40 ships totalling 2.4m tons. But at least half are dry cargo rather than tankers. More important, the shikmuisen system is on the decline and Pao has had to broaden his chartering scope and rely less on cosy relationships with a few Japanese lines. Meanwhile profits have been growing only slowly—by 9 per cent for Eastern Asia last year.

Whether his acquisition of Wharf shares was motivated by a desire to diversify, or a need to make his mark in Hong Kong itself as well as in the wider world is not known. Pao's first move into Wharf was in 1978. He bought about 17 per cent of it off Cheung Kong, the company headed by Mr. Li Ka-shing, the king of Hong Kong property developers, and the man who last year gained control of the previously European-run trading and property giant Hutchison Whampoa. Mr. Li had bought his Wharf holding through the market but decided that gaining control of Wharf would be too difficult and costly and so sold out when Pao emerged as a buyer. Established European interests breathed a sigh of relief thinking that the conservative Pao would be a more comfortable bedfellow than the thrusting, ethnically conscious Mr. Li.

Jardine and their ilk have been taken down a peg by a Chinese entrepreneur

But it soon became clear that Pao had, quite reasonably, no desire to sit back while others ran the company in which he was the biggest single shareholder.

Pao continued buying in the market aiming to increase his stake till he had effective control. It was an expensive business. The competition between Pao and the Jardine camp was plain to see. Meanwhile, prices of that scarcest of Hong Kong commodities, land, were soaring. Wharf's attraction is a massive bank of former dock land at Tsimshatsui on the tip of the Kowloon peninsula. For anyone wanting to move into property in a big way, it was an unrepeatable attraction.

Judging by recent land auctions, this area has the world's second highest priced land, beaten only by Hong Kong Central district. The Tsimshatsui record is HK$ 16,000 a square foot. HK Land and Jardine seem to have been slow to wake up to the Pao threat. They were constrained in meeting it by shortage of cash for buying in the market. But late last year they moved to shore up their position by placing most of their combined holding in Wharf into HK Land.

At that stage there was still a strong possibility that the skirmishing would never lead to war because proposals were afoot to amend Hong Kong's takeover code to require a full bid when an interest reached 30 per cent. No group in Hong Kong seemed to be in a position to make a full bid at the prices then prevailing. The shares that Li Ka-shing had bought for less than HK$ 20 in 1978 were recently trading in the HK$ 65-75 range.

Tightening of the takeover code was opposed on the ground that it was designed to stop Chinese gaining control of European-run companies.

When it became clear that the rule would not be changed in the near future, HK Land moved to try to stop Pao's creeping acquisition by making its offer for Wharf shares. In turn, that prompted Pao's dramatic Monday "grab it while you can" cash offer.

Pao appears to have won. But with the UK and U.S. recessions likely to impinge on Hong Kong before long, it may prove a pyrrhic victory for the normally cautious banker Pao.

It has also left a sour taste that Pao would have preferred to avoid. With no prospect of a full bid materialising, the share price is likely to slump, embittering hose who could not or were not permitted to take advantage of the two-hour offer.

Anxiety has been aroused by the decision of Pao to ignore a demand by the Securities Commission Takeover Committee to make a full bid for Wharf. That a man of Pao's standing, the deputy chairman of the Hongkong Bank, and advised by the bank's merchant banking arm, can so brazenly ignore the regulatory at authority set up by the Government has caused anger. It is no wonder that many still believe an old Hong Kong adage that "Hong Kong is run by the Jockey Club, the Hongkong Bank and the Governor—in that order."

But one aspect of the adage is changing. Jardine and their ilk have been taken down another peg by a Chinese entrepreneur. And that cannot be unpopular with the majority of Hong Kong's 4m Chinese.


Glyn Genin

Sir Yue-kong Pao: his World Wide Shipping group has made him the world's largest independent shipowner

MEN AND MATTERS

Bailing out the dredgers

When I spoke to Fane Vernon in February on his appointment to the chair of storm-tossed British Dredging, he spoke boldly of applying "a firm grip and a fine toothcomb" to the company's affairs. In the event, his first four months appear to have been absorbed in the application of less refined management tools—a fire hose and dustbin.

"I have been putting out the fires I found smouldering," he said yesterday. "We have written off all the rubbish and now the shareholders will be able to see the state of the company unhampered by previous errors."

Evident in the accounts is a group loss, the sixth in succession, of £623,000. But the indomitable Vernon has plans to build the company back to strength on its foundations of sand and gravel.

The next task is to gain management control of a 50 per cent owned French-based dredging company which last year cost the group £100,000 in losses. Engineering interests have been close dor are on the brink of closure, leaving Vernon in charge of six wholly-owned companies of which four are profitable.

An intriguing entry in the accounts shows exceptional items totalling £50,000, of which some £42,000 is described as "provision against certain amounts estimated to be due by former chairman and chief executive" Bryan Clark. Moves to recover this, Vernon said, are "imminent," as are plans to recover some £400,000 outstanding since 1978 from a Jersey-based company. And to keep the money coming in, schemes are also afoot to dispose of up to £750,000 worth of assets, including property and possibly part of a subsidiary, without, the chairman stresses, impairing the overall prospects of the group.

"I think it measures the rainfall on the court."

That done, Vernon reckons he has about four years to dredge up the funds to replace three ships operating in the Bristol Channel which he says are still seaworthy but "getting on a bit."

Summit treat

Patrons of the de luxe Grand Ankara Hotel in the Turkish capital reeled yesterday at the sight of the bar brimming with imported Scotch, gin and liqueurs for the first time in months. Previously the stock of non-Turkish liquor consisted of half a bottle of apricot brandy and two measures of an obscure brand of rum—evidence of the disastrous depletion caused by a ban on imports of alcohol and coffee, luxury items both, to save foreign currency.

A chat with the barman revealed, however, that the drinks had been supplied by the Government for foreign visitors attending or reporting on the NATO Spring meeting which convenes in Ankara today.

"Drink now because we'll be back to the local booze as soon as the conference ends," said the barman, "we have stocks for three days."

Other hotels and restaurants in Ankara where foreign visitors are likely to stay or sup have also been supplied for the occasion, while at the State Highways Department, whose employees have been given three days off while their offices serve as a Press centre, the Ministry of Customs and Monopolies has set up a duty-free shop, where thirsty journalists will be able to buy refreshment by the bottle.

Oar restored

On the express orders of Mr. Justice Sheen, I hear, an ancient symbol of authority has been brought out of retirement and reinstated in the High Court. Relegated to a display case in the Royal Courts of Justice more than ten years ago, the Silver Oar of the Admiralty Court was to be seen this week resting in state on a rack in front of the said Justice.

Today's version of the oar, which was first adopted as court mascot around 1460, is solid silver and embossed with the Royal Arms of the Tudors, garters, coronets and a foul anchor. Formerly brought into the court for all Admiralty cases, the oar also had many an outing in the grisly processions which led pirates and mutineers to the gibbet. Which makes me wonder whether wartime corvette commander Mr. Justice Sheen has a mind to revive other courtly traditions.

Making a killing

Clapping their hands together—not for joy, but money—the people of Apucarana, a poor rural region in Brazil, have taken to the fields in pursuit of pests which add pain and discomfort to their daily burden.

With the mosquito season at its height, the locals have been asked by the National Allergy Centre in Rio to kill and deliver as many culex mosquitoes as possible to researchers who need them for manufacturing anti-allergic serum. To encourage hunters, the centre is prepared to pay £2 a gram for the squishy raw material, on condition that it is free of insecticide: hence the clapping sounds.

Although this is hardly easy money, since culex come 800 to the gram, the people have taken to the task with a will. With few other job opportunities, swatting flies for a fee is patently preferable to sitting idle and being bitten.

Standing fast

Does the Council of Engineering Institutions know something we don't, or is it just plain optimistic? While the world waits to see wht Sir Keith Joseph plans to do about the recommendations of the Finniston Report on the engineering industry—he says he aims to decide this summer, and the Civil Service is pressing for action before the recess—the council is clearly undismayed by suggestions that it should be disbanded and its functions absorbed by a greater Engineering Authority. In a show of confidence it has sent members an order form for the CEI diary for 1981 (its first, incidentally), with a note from executive secretary Denys Wood declaring defiantly: "Nothing in the Finniston Report makes us think that we should not pursue this idea."

Enriching

Parishioner to vicar: "I hear you had burglars last night. Did they take much?"

V to P: "Hardly anything. The police tell me he was looking for money, and I must say that's the nicest compliment anyone has paid me in years."

Observer

Why Russia is stuck in Afghanistan

BY DAVID HOUSEGO

WHAT EVER HAPPENED to the battle of Kabul? a pro-SovieSoviet commentator asked last week. He was right to put the question.

A fortnight ago a number of Western papers carried stories on their front pages of insurgents massing in the hills for an attack on the Afghan capital. There was speculation about whether an all-out battle for Kabul was about the begin. The reports would seem to have originated from the American embassy in Kabul—whose diplomats, like those of all Western missions in the capital, are forbidden to stray beyond the city limits—and then to have been relayed to the American embassy in New Delhi.

In the event, as Mr. Guenter Leuschner told listeners on East German Radio, "there was no battle of Kabul." But nor was it "all a lie" as he maintained. There was increasingly heavy fighting in the Paghman mountains to the west and north of Kabul as the guerrillas stepped up their activity and the Russians tried to flush them out. The Russians even gave an implicit warning to villagers to leave the area when the Ministry of the Interior (a ministry directly under Russian control) announced through Kabul Radio that between June 10-17 there would be firing from heavy and light guns in the Paghman region.

It is the mounting pressure from the insurgents not only in the Kabul region, but throughout the country, that makes impossible a genuine Russian withdrawal (unlike that announced on Sunday) that would not also be taken as a Russian defeat. Far from Afghanistan returning to normal as Mr. Brezhnev was telling the Soviet Union at a Communist Party Central Committee meeting in Moscow on Monday, the Russians face two main challenges.

The most serious is in the tows—the small provincial :en es whose bazaars and nosques provide a much-needed maret place in a land where ter is little respite from the inplcable hostility of mountans nd desert.

Day the Russians are defied by shpkeepers pulling down ther hutters, by street procession, as in Kabul recently, whe en girl students hurled insuts against the Russian troops, and by insurgents movig easily through the towns a night since they enjoy the supprt of the local population. I the virtual unanimity of thi reaction that has created hat amounts to a nationwi opposition, which draws t country together, irrespectiv of the bickering among theso-called insurgent leaders bad in Peshawar in Pakistan.

In Kabul self the Russians maintain conol because of the weight of aour with which they have rimed the city and their determintion not to lose their grip on e capital. But in Herat and andahar on the southern fringe of the Hindu Kush, the insurnts regularly take over beforethe Russians reassert themselvs in a fresh display of martia law.

The second mainchallenge to the Russians is rough the power of the inrgents to threaten them a: anost every key point—on tle ads down which they mut fry their equipment and suplies, the power plants and trasmission lines, the police psts and government office nded to keep up a semblance o administration. The Russians el safe only in their well-ortified barracks.

For the Afghans wh have been ready to worl for them, not even that securty is available. Selected teahers and local officials have been systematically eliminated i what is a carefully worked-out campaign to deter collaboration. Desertions have reduced the 100,000-strong Afghan army to a force of probably 20,000.

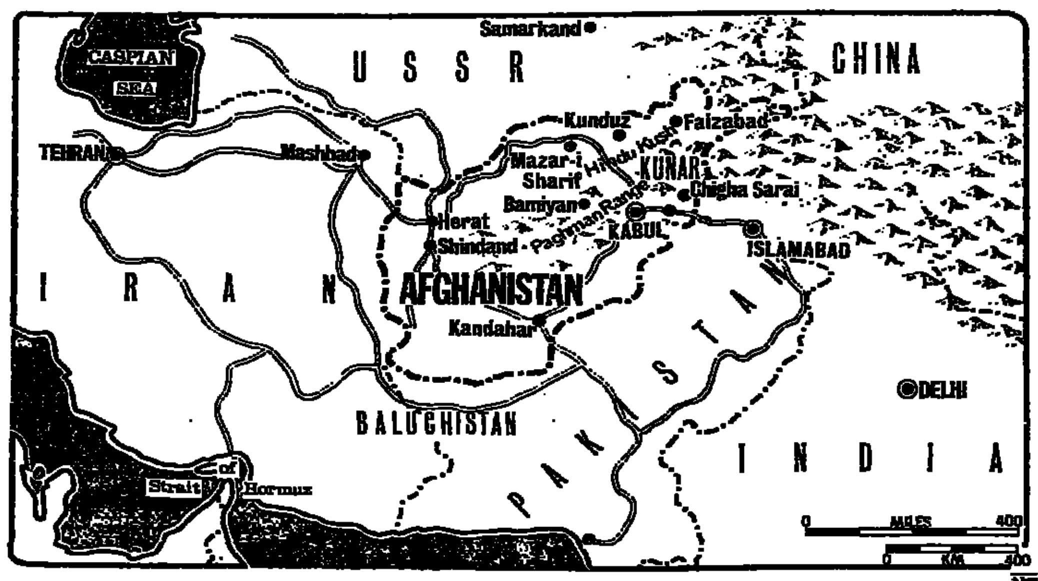
Repeated announcements over Radio Kabul calling on those eligible for conscription to enlist, coupled with continuing reports of press gangs forcibly carrying young men off to the army, suggest that the Russians are having no luck in trying to build up a locally recruited force.

But what the Russians had clearly not expected—nor indeed did many in the west—was the scale of resistance. Afghan tribesmen and villagers have picked up their rifles and challenged Russian tanks and armoured personnel carriers (APCs) with the same determination that they threw into attacking a British infantry column 100 years ago.

The Russians have no answer to this popular war in which martyrdom has become an accepted price, except to send in their helicopter gunships to chase insurgent bands or lay waste villages. In Kunar province on the Pakistan border they have devastated a large tract of land in an attempt to diminish cross-border traffic. Last year in Pakhtia province they attempted a major sweep using tanks, APCs and artillery to clear a strategic valley only to find the insurgents returned after they had left. Afghans have been said to complain to Pakistanis that the Russians are unwilling to fight a "man's war" because they refuse to get out of their armoured vehicles. On the last resort these enable them to reassert control over whatever lines of communication they choose, but not necessarily to retain them.

The so-called battle of Kabul is a reminder that the U.S. has a propaganda interest in making the most of the Russians' difficulties. But it also provides a cautionary warning about the limits of Western intelligence in obtaining up-to-date information on what is happening in so vast and inaccessible a country — notwithstanding satellite reconnaissance or the continuing flow of people across the Afghan border. Reliable information is hard to come by from the sparsely populated central mountains of the Hindu Kush, the western region around Herat where Iran bars foreigners from the border and the northern plains that adjoin the Russian frontier. These areas account for most of the country.

But if information is limited, there is even more uncertainty about Russia's military goals. At the time of the invasion in December it was fairly clear that these were to provide sufficient backing for the Babrak Karmel regime to enable it to survive in the short-term—and in the long run to pacify the country, with Russian troops preferably providing a support role in garrisoning key installations.



But the Russians are now faced with a population seemingly prepared to lay down their lives on a scale that amounts to collective suicide. This may sound exaggerated but the fact that stares them in the face is that their problems may not go away until they have killed a large proportion of the population—with all this means for their relations with the Moslem world, the impact on Russia's own Moslem population, and the Soviet Union's relations with the ethnic groups of Turkomen, Pathans, Baluch and Turkish-speaking people who inhabit the region south of their borders. And this tally leaves out the repercussions on Russia's relations with the West or the non-aligned.

The tactical choices of whether to step up the number of troops or withdraw them in response to particular events like the Venice summit or the Moscow Olympics pale beside this long-term nightmare. That the Russians killed massively to establish their control in Central Asia in the 1920s is not a valid comparison with the international circumstances of today.

The Russian dilemma also creates uncomfortable choices for the west and for Russia's neighbours. Only a limited amount of sophisticated equipment has so far reached the insurgents—if there had been more the Russians would have shouted about it. The west has been inhibited in providing arms because of the risks of needlessly provoking the Russians—and in the case of Pakistan of precipitating Russian reprisals across Pakistan's border. But now that the Afghans are setting an example of resistance to Soviet rule that could have repercussions in Eastern Europe or the Moslem republics of Central Asia, at the same time weakening the Soviet system through the drain on its resources, it becomes more difficult to ignore the insurgents' demands for arms.

There is no sign that the Russians will back down in the face of this pressure. Almost the opposite seems true in that the Soviets seem to see a challenge to their very system in the resistance in Afghanistan. The most telling sign of this were the comments of Mr. Narasimha Rao, the Indian Foreign Minister to the Indian Parliament, on June 17 after his return from a visit to Moscow. India is an ally of the Russians but, because of the politics of South Asia, it wants to see Russian troops off the subcontinent.

Mr. Rao said that the chance of Russian troops remaining only a limited time were now "not very strong." He also conjured up what is India's nightmare—that the presence of Soviet troops will soner or later lead to the U.S. or China becoming more deeply entangled in the subcontinent

The Russians have no answer to this popular war of martyrdom

The other embarrassing fact about the Afghans' readiness to make martyrs of themselves is that it makes talk of a political solution almost irrelevant. Neither Pakistan, the U.S. nor Iran could provide a guarantee of an end to interference from outside which also meant—which is what the Russians really want—an end to resistance.

It becomes increasingly difficult to envisage a neutral Afghanistan policed by a peace-keeping force (one canvassed suggestion) or in which the former King, Mohammed Zahir Shah, returns to power as a leader acceptable to both the Russians and the Afghan people (another suggestion). The intensity of the conflict polarises the choice between an Afghanistan that is a Soviet satellite and an Aghanistan that is a militantly Moslem tribal society. The Russians would not feel comfortable with the latter.

In these circumstances, with the Russians increasingly feeling boxed in, and blaming foreign powers for their troubles it seems inevitable that the pressure on Afghanistan's neighbours will grow. The Russians seem reluctant to cross swords with Iran under Ayatollah Khomeini.

But they have been stepping up their propaganda against Pakistan (*alleging, for instance,* that Karachi is being used as a transhipment base for U.S. arms to Afghanistan), increasing the number of incursions into Pakistani air space and keeping nerves on edge in the frontier province by explosions that are clearly the work of infiltrators.

In the long run the compensation the Russians hope to gain for being bled in Afghanistan is to entrench themselves in a position of power that will enable them to dominate South West Asia. This would include both the power to threaten Iranian and Pakistani Baluchistan and to exert pressure over the allocation of oil supplies from the oil-producing states of the Gulf.

A potential shortage of oil is one of the major long-term fears of Soviet planners. The Russians may have concluded that a combination of military muscle and the annexation of Afghanistan is the best way to ensure they get their share of what is available in the Middle East.

Letters to the Editor

Insider dealing by Government

From Miss M. Williamson

Sir,—As one of over 100,000 small shareholders in Burmah Oil, may I add a few comments to Barry Riley's review (June 21) of the current position.

Having attended every AGM of Burmah and Burmah Shareholders' Action Group since the crisis of 1975 and read plenty of Press comment, it has always surprised me to see or hear so little adverse comment on such a flagrant case of profiteering publicly expressed by any of the big financial institutions associated with Burmah or the affairs of its individual shareholders, or concerned about the precedent set by this share transaction, any comment being usually feeble or nebulous in the extreme.

I would very much like to know what the Stock Exchange Council has had to say to the Bank of England and/or the Treasury on this subject (I understand that under the Bank of England Act, 1946, the Bank is under Treasury control). Obviously, the Stock Exchange Council has no power to give rders to the Government, but urely it can make some ungent comments? On page 16 the same issue of your paper u have some nice drawings ustrating cases of "insider lings" under the 1980 Comies Act. Don't you think the transfer of Burmah's stock was a good example of "insider dealing" by the Grnment and Bank of Eand in collusion? And Sir Grey Howe, now Chancellor of the Exchequer, actually dred the Fair Trading Act wh he was Consumer Affairs Seary!

regards Burmah having sti long road to go while the ty waits for the legal case to e to Court in June, 1981 (on 3½ pears after the disposal of BP shareholding), may the not be a short cut which Bur could take? You may have noticed that Sir Eric Yarr is considering taking the vernment to the European urt over delayed compensan for nationalisation of Yarr Shipbuilders in 1977 (for ich he has waited only three ears so far), on the sensi grounds that arbitration be a long-winded process a depreciate the value of any sement reached. The same aments surely also hold good f Burmah, where time is concer especially, and in Burma case the astronomically r g value of the BP stock to inflation and the peculiar s of the oil market, surely e it in the Government's erest as well as a matter onour for them to settle th matter quickly, out of Court.

(Miss) M. Williamson
(Small Sh holder).
5, East C e Road,
Edinburgh cotland.

Pressres of moden life

From Mr. J. idstone

Sir,—Rece iscussions about the credit po es of some large firms remind e of an incident when I was les manager in charge of a m selling Shell products in E Anglia twenty years ago.

I accompan one of my salesmen call on a long established fir n Cambridge that sold (and en serviced) lawn mowers most of the colleges of the versity.

We supplied els to this customer but our mission on his particular call was to try nd collect an account from m outstanding for nearly a yer. This he paid. But his explanati for the delay he put down the quaint payment policies the colleges. "You see," he said "the colleges only settle thei accounts with me once a year. So my business is geared to their system. I just add 15 per cent to all my bills to pay for this convenience and everyone is happy. So my account settlement with you must match the settlement date of the colleges."

This seemed to me to be splendid just so long as everyone along the line was tuned in the same business cycle.

Unfortunately today companies have employees and suppliers who in turn have employees and suppliers who are not quite so well insulated from the pressures of this modern life as the rich colleges on the Cam.

John Lidstone
34 Tavistock Road,
Fleet, Hants.

Selling off Ferranti

From Mr. R. Hardie

Sir,—In the sort of campaign presently being waged over the proposed disposal of the National Enterprise Board shareholding in Ferranti issues necessarily become simplified, the fine detail of the overall picture is omitted and some unlikely alliances emerge.

I would in no way wish to question the accuracy of the letter June 18 from Messrs. James and Gruneberg of Marconi Space and Defence, which is an understandable response from managers at an expanding and successful part of the GEC organisation. But I would like to quote from the Labour Research Department's company information service on the General Electric Company.

"Before the merger the three companies employed a total of 265,000 people throughout the world, in 1978/1979 this figure has been reduced to 182,000, a loss of 83,000 jobs almost all of them in the United Kingdom. Meanwhile profits have risen to record levels in spite of the difficult market conditions facing the company." That is, as the Jones/Gruneberg letter bears witness, not the whole story, but has to be set against their success and their genuine concern for "social responsibilities" and "expanding job opportunities for young people." Questioning their good intent or that of Lord Weinstock, Lord Nelson or Sir Kenneth Boyd would be to trivalise and personalise a serious debate.

The logic of a rationalisation of the electrical electronic industry in Great Britain based on the pursuit of profit has led directly to job loss and to withdrawal from; and retrenchment in; critical, strategic areas of engineering, and, unless another sort of rationalisation directed towards a planned expansion of total engineering output and employment takes place, we will ten years from now be weighing in the balance job loss in Trafford Park and Woolwich against job creation in Tillend. The locations and industries may be different but the problems will remain.

A massive programme of public investment in manufacturing industry is necessary if we are to avert its decline—1.15m jobs lost since 1970. Disposal of the NEB shareholding in Ferranti would be one small step in exactly the wrong direction.

In 1973 the then chairman of that company Sebastian de Ferranti said "Becoming enthusiastic about the technology of real economy can be commercially very dangerous. On the other hand it might be very profitable to study and design in anticipation of the trend in small steps. The biggest obstacle is not the technological problems but the nature of the economic system, market forces, and vested interests."

I am heartened by such heresy nd ten years on commend it, gether with the TUC's alternatve programme outlined in its 1980 Economic Review to Brain's captains of industry an less hopefully to the Canet.

R. Hardie.
(Excutive Council Member, Amagamated Union of Engineerng Workers, Technical, Admistrative and Supervisory Section),
21. Conbridge Gardens,
Edinbrgh, Scotland.

Inaccurate tax assessments

From the General Secretary, Inland Revenue Staff Federation

Sir,—The letters from Messrs. Penvill and Talbot (June 23) call for a response.

The PAYE/Schedule E systm covers 27.4m employmens—just over 1m employers. It requires under the present (and in my opinion inadequate) arrangements the issue of 8m tax returns and 3m assessments. There are 9.2m "job changes" (i.e. peoplep leaving one job and in due course taking another) and 5.6m tax repayments each year.

Perhaps these statistics give some idea of the scale of the operation which, as I said June 18, has been seriously neglected over the year both inside and outside of the Inland Revenue. I once overheard a senior Revenue man counsel another, rather less exalted, against moving into Schedule E/management because "it's not hte real work of the department, is it?"

This has been the sorry story of much of my life. The record shows, year after year, suggestion, complaint, protest from the Inland Revenue Staff Federation over the persistent propensity of Governments to run the machine to unsafe limits and always to under-staff it. The current arbitrary cuts may wreck it altogether.

It is, then, hardly strange that, for example, giving incorrect relief for building society interst was the most common error in 1979-80. This appeared in one in four such codings where there was entitlement to the relief. Building society rates changed three times in 1977 and three times in 1980.

So I am not at all surprised by the errors—only by the wholly damaging way in which the board of Inland Revenue has so far handled the matter.

That said, the IRSF is now anxious to know what is to be done. All we have heard is that 60 inspectors of taxes will be diverted to examine the work of PAYE staff. Like Mr. Penwill, our masters sem to want to put the blame on those who are least culpable. We do not accept this blame.

eWa re, however, willing to share responsibility for putting things right. I have already indiacted very recently to Sir Geoffrey Howe that we will co-operate in sensible arrangements for quality control and for reviewing the cost effectiveness of procedures. Inter-alia "sensible" must embrace an acknoweldegement that the approach is not exclusively the current one designed to cut staff. If more staff are needed to do a necessary job to an acceptable standard, those staff should be forthcoming. What is more, the public should be told what that "acceptable" standard is.

Tony Christopher.
7, St. George's Square, SW1.

Musical cuts at the BBC

From the General Secretary, Musicians' Union

Sir,—In the correspondence on musical cuts at the BBC, readers will judge for themselves whether Mr. Singer (June 19) has disposed of the very serious questions arising from the BBC's widely condemned attack on the music profession by describing them as "rhetorical."

The discussion is not made easier by his odd use of language. "We are sorry that some full-time jobs for players will go. This is not the same as putting the 172 musicians out of work." It is, however, the same as putting 158 musicians out of work, this being the number of those who have, as he admits, received notices of dismissal. The statement that "30 are eligible for premature retirement" merely means that they are over 50 years old.

Similarly misleading is the statement that central administration is taking cuts of up to 15 per cent. When the director general of the BBC publicly announced the present measures on February 26 (2 days before informing the relevant trade unions!) he stated that they would "lead to the loss of about 1,500 permanent and temporary posts . . . (but) . . . many of the posts can be saved either by abolishing some of those which are vacant, or by early retirement, or by natural wastage . . I cannot rule out some redundancies. How many it is too soon to say, but we shall make every effort to keep them to a minimum." The exceptions to this comforting approach were the musicians, who were — and still remain — the only people specified for immediate dismissal.

It would be tedious to detail all the inaccuracies in Mr. Singer's letter (this union has accepted the necessity of taking a fair share of economies, has put forward valid proposals, does have an agreement of the type outlined in my earlier letter which the BBC is breaking, etc.) but attention should be drawn to the peculiar interpretation of the licence fee that he expresses. Does he really suppose that successive Governments, in raising the fee, have been unaware that the BBC employs musicians? Does he, for example, think that when the Home Secretary announced last November the largest cash increases in the history of the licence fee, that he had failed to take into account the BBC's responsibilities — as the largest user of music — for the employment of musicians? By what logic does he classify the cost of musicians as an extra cost, needing some special addition to the licence fee?

I suspect many readers will share our view that there are far better candidates for "premature retirement" than the BBC's musicians.

John Morton.
Musicians Union,
60-62 Clapham Road, SW9.

Today's Events

GENERAL

UK: Report of the Committee to Review the Functioning of Financial Institutions (Sir Harold Wilson Report).

Trades Union Congress general council meets, Congress House, London.

Mr. James Callaghan, Labour Party Leader, officially opens new head office of the Party at 150, Walworth Road, London, SE17.

Mr. David Howell, Secretary for Energy, speaks at International Association Energy Economists Conference, Cambridge.

Mr. Norman Fisher, Minister of Transport, opens International Festival of Cycling and Show, Harrogate.

Annual report of Church Commissioners.

Overseas

President Carter in Madrid: state luncheon with King Juan Carlos and Queen Sophia of Spain, and working dinner with Prime Minister Adolfo Suarez.

PARLIAMENTARY BUSINESS

House of Commons: Supply debate on need for Government action to reduce unemployment, particularly among young people. Transport Bill, Lords amendments.

House of Lords: Highways Bill, committee. Films Bill, second reading. Gas Bill, committee. Trees (Replanting and Replacement) Bill, report. Coroners Bill, committee. EEC (Definition of Treaties) Order. Insurance (Transfer of General Business) Regulations. National Radiological Protection Board Order. Short debate on oil spills in North Sea.

Select Committees: Education. Subject: Courses in higher education. Witness: Mr. Mark Carlisle, Education Secretary (Room 6, 10.30 am). **Foreign.** Subject: Supply estimates 1980-81. Witness: Foreign Office, British Council (Room 15, 10.30 am). **Energy.** Subject: Isle of Grain Power Station. Witnesses: General and Municipal Workers Union (Room 8, 10.45 am). **Industry and Trade.** Subject: Import and export trade. Witnesses: Scotch Whisky Association (Room 16, 10.45 am).

Transport. Subject: The Roads White Paper. Witnesses: Department of Transport (Room 17, 11.30 am). **Public Accounts.** Subject: National Enterprise Board Accounts 1979 (Room 16, 4 pm). **Employment.** Subject: Manpower Services Commission's Corporate Plan 1980-84. Witnesses: Mr. James Prior, Employment Secretary (Room 10, 4.45 pm). **Transport.** Subject: Channel Link. Witnesses: Professor Christopher Foster (Room 6, 5 pm).

COMPANY MEETINGS

See Page 25.

UK COMPANY NEWS

Ferranti profit up 12%: rights to raise £21.3m

TOGETHER WITH the announcement of a 12 per cent profit rise to £11.2m for the year to March 31, 1980, the directors of Ferranti are also proposing a one-for-one rights issue at 100p per share to raise £21.33m.

A final dividend of 4p per 50p share is being recommended lifting the total from 5.75p to 6.9p and the board expects that the total dividend for the current year will be not less than 6p on the increased capital.

The rights issue is in view of the number and scale of capital projects curently envisaged and the additional working capital requirement which will accompany the projected increase in activity.

The directors are also concerned that the cost of a sub*stantial increase in borrowings at* current rates of interest, would act as an unwelcome brake on profitability and earnings.

Over the last five years, the group has financed capital expenditure out of internal cash flow and proceeds of disposals and increased borrowing and leasing. No further substantial disposals are anticipated, the directors state.

The National Enterprise Board, which holds 50 per cent of the Ferranti capital, has obtained the necessary authorisation to subscribe for its entitlement to the new shares from the rights isue, and intends to vote in favour of the resolution to increase Ferranti's ordinary share capital.

The directors say the profit increase in 1979-80 was reduced by sharply higher interest charges and by further losses in the transformer division prior to the September decision to close it down. *In addition, strikes are estimated* to have reduced net profits by not less than £2m.

The estimated losses, whether incurred or anticipated, of the transformer division from early September and other costs consequent on the closure are £5.4m.

The costs which remain to be incurred up to December 31, 1980 when manufacture is planned to cease and which are included therein are estimated to be £3.5m, of which £1.8m relates to redundancy and other termination costs and £1.7m to losses on completion of contracts.

The completion of contractual obligations under closure conditions remains uncertain as regards timing and costs. The directors consider that this total provision, which is based on information currently available, is prudent.

Total group turnover increased by 12 per cent to £215m. However after excluding activities sold or closed during 1980, turnover of the continuing businesses increased by 28 per cent.

Stated earnings per share at the year-end were 47.85p against 42.22p.

The outlok for trading in the principal operating divisions suggests that the current financial year should produce a material increase in activity.

The group has record levels of orders, many of which are in respect sof long-term busines *which provides a solid base for* future years.

In anticipation of a projected sales expansion, production facilities, together with the associated testing and research equipment, have been extended or are in the process of being extended.

Capital xpenditure of £19m is *planned for the current year in*cluding new building and plant re-equipment at Cwmbran and Bracknell and enlargement of production capacity at Wythenshawe, Cheadle Heath and in the Scottish division.

Subject to stockholders passing the resolution to increase the authorised share capital, provisional allotment letters will be posted on July 25, 1980 for acceptance and payment in full by August 15, 1980 and it is expected that dealings in the new Ordinary shares nil-paid will begin on July 28, 1980. Brokers to the issue, which is not being underwritten, are W. Greenwell and Co. and Tilney and Co.

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R. Paterson falls to £537,000

Before-tax profits of **R. Paterson and Sons**, manufacturer and distributor of coffee and chicory essence and food products, fell from £780,000 to *£537,000 in the year to March* 29, 1980.

The figure was struck after interest of £506,000 (£322,000) and associated companies' profits of £58,000 (£327,000). The tax charge fell from £390,000 to £286,000.

After an extraordinary debit *of £54,000 (nil), attributable* profit was down to £197,000 (£390,000).

Turnover for the 12 months increased to £17.23m (£16.57m).

At the interim stage pre-tax profits were £210,000 (£182,000).

The directors say that the anticipated lack of growth of the UK economy during 1980, together with continuing high inflation, rapidly increasing costs of energy and high interest rates, all point to 1980-81 being another difficult year for many companies.

In such an environment they have embarked on a total re-examination of current group policies, attitudes and objectives in order to emerge more efficient and more profitable.

A final dividend of 1.41p net (2.3375p) makes the total 2.035p (3.375p).

Earnings per 25p share are given as 3.08p (4.78p).

Control Secs. leaps to £0.5m

A JUMP from £109,858 to £354,131 in the second half boosted taxable profits of **Control Securities**, property concern, to £502,145 for the year to March 31, 1980, compared with £141,085 *previously*.

Turnover of the group, which is a subsidiary of Labofund AG, of Switzerland, surged to £1.85m (£0.79m).

The directors forecast in November that second-half profits would exceed those for the first six months, taking into account developments due to mature in the period and anticipated profits from acquisitions.

The net total dividend is stepped up to 2.1p against an adjusted 0.8627p, with a final of 1.4p. A one-for-10 scrip is also proposed. Stated earnings per 10p share are up from 1.94p to 4.45p.

Net profits emerged well ahead at £354,053 (£137,827) after a tax charge of £148,092 (£3,258).

The directors say the group's financial strength increased during the year. At balance date, shareholders' funds were in the region of £2.5m (£1.6m) allowing for the proceeds of the *rights issue last year and the* effect of acquisitions.

UDS confirms mid-year fall

Confirmation of lower first-half profits for **UDS Group** came at yesterday's annual meeting.

Mr. Bernard Lyon, the chairman, reiterated his warning in the annual statement that profits for the first six months would not equal those of the corresponding period last year.

However, he said this should not be taken as an indication for the full-year results

Wilkinson Match down £5m at 12 months stage

IN THE second six months to March 31, 1980, pre-tax profits of **Wilkinson Match** were £7.64m, some 21.5 per cent lower than last year's corresponding figure of £9.74m. This left the consumer products, fire equipment and packing group with £14.07m for the 12 months period, compared with £19m previously, on turnover down from £271.69m to £266.21m.

As known, the group has changed its financial year-end from March 31 to September 30 and the 1979-80 accounting period has therefore been extended to cover 18 months.

As forecast at the interim stage, the second six months' figures show an improvement on those of the first period when profits had fallen over 30 per *cent from £9.37m to £6.43m.*

Of the £5m shortfall over the 12 months, around £3m was accounted for by higher interest rates, and exchange losses. In addition, the group's UK business was badly hit by the national engineering strike and VAT increase.

In the past few months, while dealing with current problems, the group has also been actively engaged in strengthening management, increasing operating efficiency and reducing costs.

The directors do not look for an improvement in the current six months period but thereafter they expect to see increasing benefits from the action that has been taken.

Unrelieved losses in the U.S. and UK resulted in a heavy increase in the 12 months' tax charge from 41.2 per cent to 59.8 per cent, which in turn led to a disproportionate fall in basic earnings per £1 share from 34.4p *to 14.6p. Fully diluted earnings* dropped from 31.4p to 14.26p.

A second interim dividend of 4.5p net in respect of the 18 months period makes 9p to date; for the previous full year payments totalled 11.3693p.

Total group borrowings at March 31 were £57.6m, against £58.7m a year earlier.

A geographical analysis of turnover and operating profits, of £21.14m (£24.9m), shows respectively (with £000s omitted): UK £70,058 (£67,733) and £3,693 (£6,070); Western Hemisphere £118,776 (£126,201) and £6,847 (£6,240); Europe £25,600 (£27,078) and £2,000 (£3,449); Africa and Middle East £30,427 (£29,123) and £4,260 (£4,709); Pacific £21,351 (£21,551) and £4,337 (£4,434).

While the group's businesses in Latin America, the Pacific and Southern Africa performed well, poor results in the U.S. and the UK were mainly due to substantial losses incurred on personal products. Management in both these regions has been largely

	12 months 1979-80 £000	1978-79 £000
Turnover	266,212	271,686
Matches & lighters	73,656	75,143
Personal products	41,351	45,067
Hardware & housewares	84,312	88,892
Writing instruments	13,725	12,807
Safety & protection	27,295	27,130
Packaging	24,705	20,889
Others	1,188	1,658
Operating profit	21,137	24,902
Matches & lighters	12,020	12,641
Personal prods. loss	4,086	1,167
Hardware & housewares	4,075	7,220
Writing instruments	177	*896
Safety & protection	5,364	5,059
Packaging	1,882	1,740
Other	1,685	305
Interest payable	7,243	5,900
Associates share	178	—
Profit before tax	14,072	19,002
Taxation	8,414	7,839
UK	1,869	1,577
Overseas	6,545	6,262
Net profit	5,658	11,163
To minorities	1,417	1,264
Extraord. credits	†635	193
Attributable	4,876	10,092

*Loss.

†Profit on disposal of industrial fire protection business in Australia and New Zealand offset by rationalisation costs in the UK.

reorganised in order to improve the group's poistion in markets which remain fiercely competitive, but benefits will take time to show through. In Europe, results for personal products were not up to last year's level. Overall, the deficit from personal products increased from £1.17m to £4.07m.

The match business again performed satisfactorily, although UK volumes were affected by the VAT increase.

The hardware business of True Temper suffered as a result of *economic conditions in* the U.S., where during the period high interest rates caused wholesalers and retailers to reduce inventories on a large scale. This was aggravated in the North Eastern part of the U.S., which is a major market, by the lack of snow resulting in considerable overstocking of snow tools in the trade.

The deepening U.S. recession continues to bite hard on True Temper but this company is soundly based and will be quick to respond to an upturn, the directors state.

At home the engineering strike together with high interest rates also affected the hardware business.

As expected results of the writing instrument business improved considerably following the management changes which took place in 1978.

Lion Match, the 65 per cent-owned South African subsidiary, has maintained its growth record during the second six months of the current 18-month accounting period. Management is confident that improved performance will be maintained during the final six months.

During the 12 months to March 31, operating profit advanced 27.4 per cent to R7.7m from R6.04m a year earlier. Turnover rose 17.4 per cent from R39.4m to R46.3m.

Two interim dividends totalling 25 cents have been declared from earnings of 50.9 cents per share.

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Humphries Holdings tops £1m

An increase in taxable profits from £0.6m to £1.05m is reported by **Humphries Holdings**, the film processing and sound recording group, for the year to March 31, 1980. Turnover rose slightly, from £11.3m to £11.38m.

At halfway the group reported profits of £0.47m and said that the second half was unlikely to match the first in attributable profits because of the effects of the Independent Television strike on certain subsidiaries.

Tax for the year took £377,196 (£104,841). Comparisons have been restated following the adoption of SSAP 15.

There was an extraordinary debit of £254,247 (£153,737) in respect of the actual loss on disposal written off. There was a surplus of £0.73m arising from the revaluation of long leasehold properties.

Earnings per share are given as 8.6p (9.23p restated). Again there is no dividend.

TraveLodge up in first half

TraveLodge International Inc., a subsidiary of the Trusthouse Forte Group, reports record net income of $1.87m against $1.55m in its second quarter of 1977-80, making $2.59m at the end of the six months to April 30, 1980, against $2.08m in the same period last year.

Total revenue for the quarte was $20.48m ($20.37m) making $39.2m ($37.33m) for six month. Net income per share at the end of the half-year was $1.20 against $0.97.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Beralt Tin	5	July 25	4.5	5	4.5
Charter Consd.	5	Aug. 9	0.45*	8.35	0.69*
Control Securities	1.4†	—	0.59*	2.1	0.86*
Cronite Group int.	0.8	Aug. 29	0.8	—	2.94
Ferranti	4	—	3.83	6.9	5.75
Glitspur	2.7	—	2.3	4.2	3.5
Halma	0.8	Aug. 15	0.64*	1.35	1.04*
Arthur Holden	3	—	2.5	5	4
Kenning Motor Gp. int	1.5	Oct. 1	1.75	—	5.5
LCP	2.5	Aug. 15	2.13*	4.3	3.67*
Moorgate Mercantile	0.75	Oct. 3	0.5	0.75	0.5
Old Swan (Harrogate)	4	—	0.36	0.8	0.66
R. Paterson & Sons	1.41	Aug. 22	2.34	2.04	3.38
Property Partnerships	2.5	—	1.5	4.5	2.5
Tecalemit	1.56	Aug. 2	1.74*	3.13	3.13*
Wheway Watson	0.71	Aug. 15	0.55	1.16	1
Wilkinson Match sec. int.	4.5	Oct 1	7.15	—‡	11.37
Trident TV int.	1.26	Sept. 4	1.09	—	3.48

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ 9p to date in current 18 month period.

£2m cash call by Clive Discount

The directors of **Clive Discount Holdings** are planning to raise some £2m after expenses by way of a two-for-five rights issue at 34p per share. The issue is being underwritten by Kleinwort Benson and the broker is Hoare Govett.

The directors say the size of the capital base largely determines the amount of business the group can undertake. It is now considered appropriate to expand this base to take advantage of the more favourable market conditions anticipated.

Following the trading loss incurred last year the board's main priorities are now the rebuilding of resources and restoration of the dividend. In this context, tax losses of about £4m are available for offset against present and future profits.

As reported in the annual accounts, the current year has started on a more hopeful note. However, given the volatile nature of the markets, it is not possible, at this stage, to make any prediction of the outcome for the full year.

The board does not expect to recommend the payment of other than a nominal interim dividend in respect of the year ending March 31, 1981. The payment of a final dividend will depend upon the results for the full year and the outlook at that time.

The directors will look to recommend normal dividend payments at the earliest opportunity consistent with the restoration of a satisfactory capital base.

Subject to the passing of a resolution to increase the authorised share capital from £4.5m to £5.5m to be proposed at an extraordinary general meeting on July 10, 1980, it is expected that provisional allotment letters will be despatched on July 10, 1980 and that dealings in the new shares will commence on July 11, 1980.

Beijerinvest share listing

TRADING in the 621,873 free shares of **Beijerinvest**, the Swedish oil-trading and investment company is to begin on the Stock Exchange today. The free equity, which accounts for 11.4 per cent of the company's share capital, are the only shares which may be acquired by non-Swedish citizens.

Last year, 69 per cent of Beijerinvest's income after financial items of Skr.415.6m (£44.2m) came from oil-trading subsidiary, Scandinavian Trading. Another 10 per cent came from food subsidiaries.

Last month the company agreed to take over Felix, the Swedish food manufacturing subsidiary of Sir James Goldsmith's Generale Occidentale group for £21.6m in cash, notes and shares.

Beijerinvest free shares of par value of Skr 50 have traded between Skr 195 and 138 so far this year.

The London listing is sponsored by Hambros Bank and Lazard Brothers. Expenses in connection with the listing are estimated at £195,000.

Brit. Dredging £0.4m loss but this year starts well

STRUCK AFTER an exceptional debit of £500,016, against a credit of £156,545 last time, pre-tax deficit of the British Dredging Company, aggregates, construction and dry dock group, increased sharply from £13,910 to £465,722 for 1979. In the first six months, there was a turnround from profits of £94,000 to losses of £198,000.

On prospects, however, Mr. F. Vernon, who was appointed chairman in February says "results for the current year should be a true reflection of the group as it now stands within the trading environment of 1980, unfettered by the costs of previous management errors."

In the first five months of 1980 the group has made a profit as a result of considerably better trading. In the first quarter compared to last year, which is mainly due to better weather conditions.

But with prospects for the building industry generally gloomy, Mr. Vernon says it is difficult to tell at present how the company will perform in the second half in such a trading environment.

At the trading level, before exceptional items, there was a profit for 1979 of some £94,000 (£170,000 loss), which reflected a recovery from the first-half trading deficit of £172,000.

Turnover for the year fell £1.12m to £12.41m. Interest charges were lower at £473,893, compared with £564,151, tax took £43,165 (£226,542) and extraordinary debits, £260,559 (£695,950 credit).

Loss per 25p share is shown at 3.15p, against earnings of 1.88p previously. Again no dividend is to be paid—the last payment was 0.3p net in respect of 1976.

The company's objective this year is to make a return to the dividend list.

The chairman stresses that despite six years of pre-tax losses the company still has substantial assets and is essentially sound.

In preparing the accounts, full provisions have been made for substantial additional losses which have arisen because of certain management decisions made in 1979, Mr. Vernon states.

He refers to the substantial losses in the sub-contract taken on by BDC Shaw International Contractors for the erection of aircraft shelters, which has now been terminated, and to the substantial losses of Prouds Engineering Company which is in the process of being closed.

Also, an additional provision of £250,000 has been made against the amount due from the purchasers of the group's interest in Pauls Federated Merchants. While instructions have been given to pursue the total amount of £400,000 due from the purchasers, which is subject to a personal guarantee, it is considered prudent to reserve the whole amount.

The preliminary accounts show a sum of £42,000 said to be a provision "against certain amounts estimated to be due by former chairman and chief executive" Mr. Bryan Clark. Mr. Vernon says action to recover the amount is "imminent." He also says the company anticipates a claim from Mr. Clark for loss of office, which it will contest.

While confident of the company's future, the chairman emphasises that there are still many problems to be solved, although these are all capable of solution. Interest charges are currently running at about £40,000 a month and energetic steps will be taken to reduce the level of bank borrowing.

The group's bank borrowing limits curently stand at £1.65m and Mr. Vernon says the company is well within this figure. However, further asset sales are being considered.

"I would like to sell between £500,000 and £700,000 of assets, but I am not going to sell these cheaply," he states.

● comment

Somewhere beyond the labyrinth of exceptional and extraordinary items, provisions, closures, boardroom rows and management upheavals lie the six principal subsidiary companies which form the mainstream of the business at British Dredging. Only four make money. Two major associates are as important in group sales terms as the subsidiaries. British Dredging (Sand and Gravel) made a profit last year, but is subject to the vagaries of the weather and the building industry. French-based SGSD lost the group £100,000 last year, when BD did not have the management control which it is now seeking. BD (S and G) also locks the group into relatively low-returning assets. The core business is not a bad one on which to build, now that the deadwood has been stripped away: provisions totalling £1.59m should take care of any remaining grey areas. The main concern must be the building up of cash to renew the ships, which have perhaps another four years' life. There is scope for some property disposal, and probably the sale of part of another operating company, at the right price, to yield perhaps £750,000 or so. The French operations clearly need attention and while the board believes that performance on the engineering side will be boosted by increased cash resources, there is a clear need to rein back investment given the imminence of shipping cash requirements.

Kenning Motor slips by £0.16m at six months

DESPITE an exceptional credit of £1.02m, pre-tax profits of the Kenning Motor Group fell from £2.71m to £2.55m in the six months to March 31, 1980. Turnover climbed from £114.39m to £122.7m.

The board states that although results for the March quarter showed a substantial improvement compared with the December quarter, profits for the half-year were in line with its forecast. In the previous 12 months, pre-tax profits were up from £8.27m to £8.45m.

Car, van and contract hire were the most seriously affected due, in part, to less business being available and lower margins being achieved as competitors "fought for a larger slice of a smaller cake," says the board. Margins on secondhand vehicles from the fleet suffered, and disposals were, and still are, more difficult to achieve due to the slump in the market.

Vehicle depots also produced much lower results.

Interest and finance charges amounted to £1.17m (£639,000) and depreciation accounted for £5.28m against £4.15m.

Tyre profits, says the board, improved as expected while other activities held up well.

Associates profits were up from £12,000 to £58,000 and after tax down from £730,000 to £410,000, profit attributable was £2.14m (£1.98m). Stated earnings per 25p share are marginally higher at 6.7p (6.2p), and the interim dividend is unchanged at 1.75p—last year's total was 5.5p.

The board says the June quarter looks unpromising for the motor activities. Car hire is showing some improvement, while the tyre services continue to do well.

With the country in a recession and high interest charges being maintained, it seems certain that the year's results will prove to be disappointing the directors say.

The company has not, as yet, consolidated the results of its Zimbabwe subsidiary due to the present uncertainties, but the company is doing well.

Trident Television reaches £5.2m at half-way stage

TAXABLE profits of Trident Television, television programme contractor and leisure, for the half-year to March 31, 1980, rose from £4.82m to £5.17m.

After exchange losses of £54,000 (£310,000), attributable profit increased by £0.28m to £2.29m.

Turnover for the period was up from £36.44m to £44.61m.

Tax charged was £2.83m, compared with £2.5m.

The Board says that following the settlement of the 11-week television strike, demand for air-time was stronger than ever before and this resulted in the best-ever revenue figures for the months of December to March inclusive.

In consequence, the original revenue budget for the period was fully met.

The new American ventures were now firmly established. A considerable stockpile of programme material has been purchased and the sales programme is progressing in accordance with the timetable originally laid down.

The leisure activities, including the Windsor Safari Park, were also in a better condition than ever before at the start of the 1980 season. Watts and Corry, which also suffered during the strike, quickly recovered its trading position and also developed its thrust into feature films.

But the group is now in a period of uncertainty. The two television companies, having made their applications to the IBA for a renewal of their contracts, have to wait until the end of the year for the authority's decision.

Further uncertainty arises from the general state of the economy.

Signs of a major downturn are present and leading advertisers have indicated that they are experiencing a sharp decline in discretionary spending by the consumer.

But in spite of the uncertainties the board fully anticipates that the group will reach its revenue target and that they will be able to report a return to the 1978 level of profit at the year end.

For the year to the end of September 1979, before tax profits were £7.51m, compared with £9.01m for the previous year.

The interim dividend is increased from 1.095p to 1.26p net—last year's total was 3.475p. Earnings per 10p share are given as 4.8p (4.74p).

● comment

Trident's profits growth compares unfavourably at first glance with the 47 per cent advance reported by Anglia last week. But the Trident figures take in the last 3½ weeks of the autumn strike, against a "clean" half for Anglia, and bear the continuing expenses of setting up the American sales venture. That, coupled with lower interest receipts arising from strike-induced cashflow pressure, accounts for the sharply lower earnings from non-TV contracting activities. The January advertising rate increase lifted by 22 per cent in the first six months of the current calendar year, though indications from forward-bookings are that this will slow to around 10 per cent year-on-year by the autumn. With the Board looking for a return to 1978 profits of £9m, the prospective p/e on a full tax charge is 5.7, while a similar increase in the final dividend would give a prospective 8.8 per cent yield, at 51.5p, down 1.5p. The franchise renewal season means some short-term uncertainty, but Trident does not look particularly vulnerable.

Motor side decline leaves Giltspur little changed

STATIC second-half profits following the modest rise midway meant that Giltspur finished the year to March 31, 1980, marginally higher at £4.58m, against £4.52m. Turnover increased by £14.77m to £99.58m.

Higher profits were returned by all divisions, apart from Giltspur Motor Industries where the trading surplus dived to £738,000 (£1.31m).

The net total dividend is raised by 20 per cent to 4.2p (3.5p), with a final of 2.7p. The directors say the increase is in view of the group's sustained profits and greatly improved gearing—now less than 22 per cent.

Mr. Maxwell Joseph, chairman, says it is difficult to express optimism over the coming months in the current economic climate. However, he hopes many of the group's trading companies will continue to show improved results this year.

Commenting on divisional performances in 1979-80, Mr. Joseph says the rationalisation within the motor subsidiaries progressed well but coincided with a very difficult period in the trade. The engineering side pushed up trading profits to £1.02m (£697,000), while Giltspur Expo, which is involved in exhibition services and furnishing hire, turned in £2.74m (£2.62m).

Earnings per share are shown as 16.34p (16.25p), after tax of £1.49m (£1.5m).

Cash deposits increased by £1.6m in the year, while loans were reduced by a further £1m.

Pre-tax profits were struck after interest of £849,000 (£850,000).

● comment

Giltspur's motor division dented an otherwise buoyant performance last year, and is clearly going to remain the problem area. It contributed only £149,000 profits in the second half of 1979-80, against £539,000 in the corresponding period the previous year, and few people in the motor trade are arguing with analysts' forecasts that the first three months of 1980 saw the best of what will be a very gloomy year. Giltspur is reacting by cutting back on capital in motors, and looking for growth in other sectors. The expo division pulled ahead from its interim setback, with a record home market compensating for expansion costs in the U.S. The engineering performance is particularly noteworthy, since 90 per cent of sales are exports. The division's strength has come from its emphasis on up-market precision technology, including a substantial proportion of design work. Borrowings are now down around the £3m, and the 20 per cent increase still leaves the dividend almost four times covered. The yield of almost 10 per cent and a fully-taxed historic p/e of 5.4 at 65p, up 4p, recognise that the motor division will be a drag on any current year advance.

Tecalemit margins under pressure

PRE-TAX profits of Tecalemit were little changed at £4.77m, against £4.61m, for the year ended March 31, 1980, on turnover ahead by £11.4m to £54.5m.

Industrial unrest cost the company—involved in fluid transfer and lubrication, garage equipment, lubrication systems and combustion engineering—some £350,000 in lost profit.

The directors say that in order to improve real profits, the group has started to diversify into products and companies which have high technology and high added value. However, they feel it is difficult to see any real growth until there is a sizeable drop in the rate of inflation.

At the interim stage profits were £2.17m compared with £2.07m, and the board said the full year's outcome would be satisfactory.

Stated year-end earnings per 25p share are 11.4p (12.6p) and the dividend is effectively unchanged at 3.125p net with a final of 1.5625p. Also proposed is a one-for-two scrip issue.

Profits were struck after interest of £339,000 (£164,000), and subject to tax of £2.14m against £1.93m. The attributable balance came through down slightly at £2.53m (£2.67m) after minorities and extraordinary items.

A surplus of £1.92m on a property revaluation, as at March 31, has been added to reserves.

Moorgate Mercantile improves

PRE-TAX profits of Moorgate Mercantile Holdings advanced from £294,868 to £400,034 in the year to March 31, 1980. This figure was struck after interest charges up from £189,491 to £464,663.

There was a tax credit of £958 (£32,572 charge), and retained profits came out at £277,789 (£209,963). Stated earnings per 10p share are 2.62p compared with 1.69p, and the dividend is raised from 0.5p to 0.75p.

The year's figures included a general provision for doubtful debts, in line with the current conservative practice in industry. Comparatives have been adjusted.

Turnover for the year improved from £4.57m to £7.37m.

SCOTTISH AGRICULTURAL SECURITIES CORPORATION LTD.

The Forty-Seventh Annual General Meeting of shareholders of the Scottish Agricultural Securities Corporation Ltd. was held at the registered office of the Corporation on 24th June 1980. Mr. A. R. Macmillan, director and chief general manager of the Clydesdale Bank Ltd., chairman of the Corporation, presided and, in moving the adoption of the Report and Accounts said:

"The Directors have pleasure in presenting their report together with the audited accounts for the year to 31st March 1980. During the year, the Corporation issued £2 million 13% debenture stock 1997/99 at £97% and the net proceeds were used to reduce the Corporation's bank borrowing. The profit of the Corporation, before taxation, amounted to £574,688 compared with £581,456 for the year ended 31st March 1979. The slight fall in profits is due to the high rates of interest paid for the greater part of the year on the Corporation's bank borrowing. Corporation tax was also higher as it was not possible to offset the interest accrued but unpaid on the new debenture stock against profits for tax purposes. As a result, profit after taxation was £58,754 lower at £230,273. After providing for the whole discount and expenses of the issue of the new debenture stock, paying the maximum permissible dividend to shareholders of £3,062, and transferring £100,000 to general reserve, the surplus of £28,860 was carried to revenue reserve.

Turning to the balance sheet, net new lending for the year amounted to £1,373,895. While this was an increase from the previous year, the number of loans settled decreased, and the trend has continued into the current accounting period.

Very high interest rates and the uncertainty in outlook for farming profits generally, has caused the steep rise in the price of agricultural land seen in recent years to level out and in certain areas to show some signs of falling. The decrease in the value of land has not been significant, however, and the change has not in any way eased the position of new entrants into farm ownership.

During the year, the loan from The Secretary of State was reduced by a further £138,048, leaving the balance outstanding at £359,044. It is anticipated that a further payment will be required by the Government in the current year.

The rate of interest charged to borrowers at the beginning of the year under review was 15% per annum. A reduction of 1% was made in July 1979 but successive increases in November and December of 1% each brought the rate to the current level of 16% which equals the highest rate charged by the Corporation previously from December 1976 to March 1977. On this occasion the high rate has persisted for a longer period of time although it is a source of some satisfaction to your directors that the financial strength of the Corporation has enabled us to avoid an even higher rate.

On behalf of the Board I should like to pay tribute to the staff of the Corporation and to thank them for their continued loyalty and good work during the year."

The Report and Accounts were formally approved and adopted and a dividend of three-and-a-half per cent duly declared.

BIDS AND DEALS

Thorn EMI and GE try to save £16m scanner deal

THORN EMI and General Electric of the U.S. began urgent talks yesterday aimed at restructuring their medical scanner deal, after an anti-trust warning was issued late on Monday night by the Justice Department in Washington.

The department said it would ask the courts to halt the $37.5m (£16m) deal, which the companies planned to close this Friday.

General Electric, based in Fairfield, Connecticut, said yesterday: "We plan to have further discussions with Thorn EMI and the Department of Justice to see whether a restructured transaction will be acceptable."

He would not elaborate on the kind of structure the companies will seek, but presumably it would be one that satisfies the department's concerns about the lessening of competition.

The department, one of two Federal agencies charged with enforcing U.S. anti-trust laws, alleges that the deal would violate Section Seven of the Clayton Anti-Trust Act. This prevents one company from taking over the assets of another if the deal would tend to create a monopoly or lessen competition.

General Electric is one of several U.S. companies which entered the field of electronic medical diagnosis after the pioneering work by EMI. It made a deal with Thorn EMI to buy EMI's CAT-scanner operations last April after the UK company decided to withdraw from the business because of heavy losses.

The deal provides for General Electric to buy Thorn EMI's international manufacturing and servicing operations for the scanner, and its servicing and inventory in the U.S.

● comment

The main stumbling block to Thorn EMI's proposed scanner sale is probably the transfer of assets to GE, namely the factory at Radlett, Hertfordshire, rather than the transfer of the sales and service operation. So the likelihood is that the deal will be approved by the U.S. Justice Department once modified in this way. Thorn EMI would then be forced to close Radlett, pushing the worst case assumption for the cost of moving out of the scanner market up from £30m in provisions and asset write-downs to about £35m. The share price fell 18p yesterday to 276p, reducing the company's market capitalisation by £32.2m to £494.1m.

BOC selling metals processing companies to SKW Trostberg

BOC International is to sell two metals processing subsidiaries to a German company, continuing its policy of disposing of non-mainstream activities. The sale price has not been disclosed but is understood to be between £10m and £15m cash.

Agreement has been reached between SKW Trostberg and BOC Limited for a newly-formed UK subsidiary of SKW to purchase the capital of Anglo Blackwells and Murex, two members of BOC's metals division. In 1979 SKW—the chemical and ferro-alloy group—purchased two ferro-alloy plants in the U.S. from Airco, another BOC subsidiary.

Murex, which became part of the group in 1969, produces pure metals, alloys and compounds, and refactory metals. Anglo, which was formed from the merger of three smaller BOC companies, produces a wide range of alloys, especially in aluminium.

Mr. Frank Baldrey, managing director of BOC's metals division, *said that both companies need* capital to ensure their development. But as neither is in the mainstream of the group's *activities — industrial gases* cutting and welding — BOC has chosen not to use its resources in this highly specialised area.

Since the end of its last financial year BOC has sold the electronics interests of Dowson and Dobson in South Africa; in Europe and Canada the Deloro Stellite activities were sold to Cabot Corporation, and in the U.S. the sale of the Mideshield business was agreed.

But the disposal policy does not mean that all the peripheral activities of the group will be sold off or that the group is no *longer interested in diversification*. In time, BOC is expected to add two further major activities to its main business. However, the group's priority for today, is to ensure the greater profitability of the existing parts.

The agreement with SKW is subject to the deal not going to the Monopolies Commission, and also to the approval of the German Cartel Office.

GLASSERTON OFFER FOR LIT IS CLOSED

The offer on behalf of Glasserton for the share capital of London Intercontinental Trust has closed, acceptances having been received in respect of 555,790 shares (55.57 per cent). No shares were held before the offer period, or acquired or agreed to be acquired during the offer period.

STROUD RILEY

Mr. Harvey Ross, the Yorkshire gold investment and coin dealer, has lifted his stake in Stroud Riley Drummond to 496,438 shares—equal to 14.47 per cent. In Friday's report, announcing an increase in his stake from 10.76 to 13.45 per cent, the increase in amount of shares he owned was incorrect due to an agency error.

LISTING RESTORED

The Stock Exchange listing of Wolf Electric Tools (Holdings) has been restored.

PAULS & WHITES

Contracts have now been exchanged in the takeover of L. F. Jewell by Pauls and Whites, flour miller and manufacturer of animal feeding stuffs.

Consideration is being satisfied as to £1,050 in cash and as to £798,950 by the issue of 646,923 ordinary 25p shares in Pauls and Whites.

Jewell is a Ford main dealer for tractors and industrial equipment in the West Country. *It made profits before tax in* excess of £200,000 in each of the past two years.

The acquisition, first announced last month, will enable Pauls and Whites to broaden its trading base in the agricultural market.

SUNLIGHT SERVICE/ SUPREME LAUNDRIES

Sunlight Service Group, laundries, dry cleaning, has acquired Supreme Laundries (Holdings) and the minority interests held in certain of its subsidiaries.

Consideration is £1,403,750, to be satisfied by the issue of £1,398,042 unsecured guaranteed redeemable loan notes and £5,708 cash.

In 1979, Supreme had a turnover of £3.39 and made pre-tax profits of £36,526. Net assets were £1.47m, *before taking* account of a surplus on book value of the properties of £550,000.

The Sunlight board do not expect the acquisition to have any material effect on the current year's trading but are confident that the deal will be of long-term benefit to both parties.

H. YOUNG HOLDINGS

Ladymead Investments Group has diluted its 46.4 per cent stake in H. Young Holdings, the stake now being controlled through a *company with the following* principle share holders: Ladymead Investments 49 per cent and P. C. Vardy, P. G. Sorley and M. A. Brown 49 per cent. P. C. Vardy and P. G. Sorley are respectively chairman and director/company secretary of H. Young. M. A. Brown is managing director of a subsidiary.

THIRD MILE/SEMPAH

The boards of Third Mile Investment Company and Sampah (Holdings) announce that the *scheme of arrangement* whereby Third Mile would acquire Sempah shares not already owned, was approved at yesterday's meetings.

The scheme now requires sanction of the High Court and a further announcement is expected on or about July 28.

Sturla ends bid talks with ICPS

Sturla Holdings, Liverpool-based finance company, is not going ahead with the acquisition of ICPS, *a private company* operating in the credit life insurance and extended car warranty fields.

Sturla announced *yesterday* that talks between the two companies had been mutually terminated. The acquisition, announced in March, was to have involved the issue of 2m Sturla shares and payment of £100,000 based on a profit formula.

Mr. David Britton, managing director, said yesterday that Sturla's investigations into ICPS took longer than anticipated, and after a full appraisal it was decided that the acquisition would "not be in the interests of shareholders."

At the same time as the acquisition statement in March, the company announced plans to raise £340,000 net by way of a rights issue. This was to provide additional working capital for the expansion of the existing business and to finance suitable acquisitions.

As a result of the end of talks with ICPS, the rights issue details have been delayed. A circular is now to be posted to holders *in the first week in July* which will include information on the group's prospects, together with a profit forecast *and details of a Board reorganisation*. At the same time the results for 1979-80 will be announced.

In the half-year to July 30 group profits were £48,000 (£5,000) and a similar surplus was expected for the second half. In 1978-79 losses were cut from £93,000 to £16,000. The preference shares have been in arrears since June 1976, and ordinary holders have not received a dividend since mid-1974.

It was also announced yesterday that Mr. Robert Knight, the chairman, had disposed of 200,000 ordinary shares out of his beneficial holding of 215,000 shares. In addition, Tiger Securities, a company in which Mr. Knight has a beneficial interest, has sold its entire holding of 445,000 *shares in the company*.

PLUMCLOUD/ DRILLING TOOLS

ICFC Corporate Finance said the offers for the share capital of Drilling Tools North Sea not already owned by Plumcloud *have been* accepted by the holders of 1,000 'A' ordinary shares, representing 100 per cent and 91.7 per cent respectively of the 'A' and 'B' ordinary shares for which the offers were made.

Plumcloud held 42,500 'B' ordinary shares in Drilling Tools before the commencement of the offer period and has since acquired a further 300 'B' ordinary. Taking these holdings into account, Plumcloud therefore owns or has received acceptances for a total of 207,985 'B' ordinary, representing 93.3 per cent, and with the 'A' ordinary 95.6 per cent of the total votes attributable to the issued share capital of Drilling Tools.

The offers are declared unconditional as regards acceptances and remain open until further notice. The offers are still con*ditional upon the passing of a* special resolution at an EGM of Drilling Tools to be held on June 25.

ASSOCIATES DEAL

Grenfell and Colegrave has bought 25,000 News International ordinary shares at 180½p for Octopus Books, of which Mr. Paul Hamlyn, a director of News International, is the controlling shareholder.

Strikes affect Wheway Watson: profit cut £0.4m

AS indicated last month, after interest up from £249,000 to £453,000 and a loss of £250,000 of profits from the steel strike, taxable surplus of Wheway Watson Holdings, chainmaker, engineer *and forger*, fell by £400,000 to £510,000 for the year ended March 29, 1980. Turnover improved from £14.45m to £16.92m.

Mr. W. Gibson Biggart, chairman, says the year was also affected by the aftermath of the transport strike in the early months, and the engineering dispute.

The main objectives in the current year will be the containment of costs, a positive cash flow and a further improvement *in productivity*.

And the chairman says that with the present recession growing deeper, it would be unwise to forecast the full year's outcome.

Although the engineering sector of the economy is experiencing difficult trading conditions and reduced demand, the company "will strive to achieve as satisfactory a result as is possible within this environment, with the main expectations for the year depending on the second six omnths period," he states.

Profit at halfway was behind at £219,000 (£421,000), but directors considered that the second half contribution would be *similar* to the £489,000 for 1978-79. In May, however, they announced that the steel strike had resulted in a loss of £250,000 profits and that the full year's surplus would be £510,000.

Yearly earnings per 10p share are shown as 1.18p (3.43p) and the dividend is 1.155p (1.0047p) net, with a final payment of 0.705p, absorbing £234,000 (£203,000).

Halma advances to £1.45m

Pre-tax profits of £1.45m, a 28 per cent rise on last year's record £1.13m, are announced by Halma, the safety systems and fire con*trol products manufacturer*, for the year to March 29, 1980. Turnover was up 18 per cent from £10.65m to £12.59m.

At halfway the company reported profits of £0.61m (£0.51m) and was looking for an improvement over the year.

Trading profits were £1.54m (£1.17m). Interest accounted for £48,000 (£37,000) and taxation took £454,000 (£445,000).

The final dividend is lifted from 0.638p to 0.83p, making a total of 1.35p, against 1.038p (figures adjusted for scrip). Earnings per share are given as 6.89p (4.85p adjusted).

Silentnight chief warns of first-half set back

FIRST-HALF trading profits of Silentnight Holdings will be substantially down on the previous year, despite aggressive selling tactics and cost cutting exercises, Mr. T. Clarke, chairman, told shareholders at the *annual meeting*.

The furniture industry was experiencing the worst trading conditions for a considerable *time, and the group could not* be unaffected by the national trend.

However, with a strong balance sheet and ample financial resources, the group was well able to take advantage of any recovery in sales, and the chairman expressed confidence in its future prospects.

The review of the furniture division would continue until the losses were eliminated, he said.

Pre-tax profits slipped from £4.11m to £3.97m in 1979-80, with £1.86m (£1.76m) coming in the first half.

Rise for Prop. Partnerships

Second-half taxable profits of Property Partnerships rose from £244,475 to £324,352 giving the *property investment and dealing* group a higher figure of £667,368 for the year ended March 31, 1980, compared with £397,396.

As forecast, the dividend total is raised from 2.5p to 4.5p net per 25p share, with a final of 2.5p.

Tax for the year took £357,951 (£213,122) leaving net profits up from £184,274 to £309,417.

Yearlings up ½% and follow firming trend

The interest rate on this week's issue of yearling bonds is 14¼ per cent, up ½ per cent from last week, following a firming trend in other UK money markets as hopes for an early reduction in minimum lending rate faded. Issued at par, this week's yearlings are redeemable on July 1, 1981.

The issues are: City of Dundee DC (£0.5m); City of Glasgow DC (£1m); Beverley BC (£0.5m); Borough of Wolverhampton (£0.5m); South Bucks DC (£0.25m); City of Norwich (£0.75m); City of Liverpool (£2m); Cyngor Dosbarth Dwyfor (£0.5m); City of Leeds (£1m); North Tyneside Metropolitan BC (£1m); Dudley Metropolitan BC (£0.75m); West Norfolk DC (£0.5m); Great Grimsby BC (£0.25m); Barnsley Metropolitan BC (£1m); Cynon Valley BC (£0.5m); Greater Manchester Passenger Transport Executive (£0.5m); London Borough of Greenwich (£1m); Highland RC (£1m); Lanark DC (£0.25m); Preston BC (£0.5m); Rhondda BC (£0.5m); St. Helens Metropolitan BC (£0.5m); Newcastle-upon-Tyne Metropolitan CC (£1.5m).

MINING NEWS

Charter results reflect a year of transaction

BY KENNETH MARSTON, MINING EDITOR

ALL THAT can be said about the results for the year to March 31 of Charter Consolidated is that they are satisfactory and probably better than they would have been had not the UK mining and industrial group embarked on the major reorganisation scheme which became effective on October 1.

Because of this major reshuffle of investments — which involved transactions with the associated South African Anglo American and De Beers groups— Charter's latest results are not comparable with those of 1978-79. Nor will they be strictly comparable with those of 1978-79. Nor will they be strictly comparable with those of the current year because of the special items that are contained in the altest figures shown below.

	1980 £000	1979 £000
Profits of subs.	19,790	20,887
Investment income	18,422	19,517
Retained plts. (losses) assoc.	13,462	56
Surplus on invests.	5,758	11,990
Making	57,433	52,338
Admin., tech. exp.	3,601	3,771
Prospecting exp.	699	1,079
Interest payable	784	2,941
Profit before tax	52,349	44,547
Tax	20,752	17,965
Profit after tax (before extraord. items)	31,597	26,582
Minority interests	3,659	3,591
Attributable to Charter	27,938	22,991
Earnings per share	26.6p	21.93p
Dividends	8,760	9,043
Retained profit (before extraord. items)	19,178	13,948
Extraord. items (1979 deficit	54,551	5,682

One thing is clear and that is the dividend. Charter is fulfilling *its forecast of a final dividend* of 5p net for the past year. This follows the interim of 3p and the special dividend of 0.35p.

It will be recalled that holders were given the equivalent of one-quarter of a share in Minerals and Resources Corporation (Minorco), or a cash buy-back option, for every share held in Charter. The dividends on a quarter share in Minorco equal 1.21p net.

Thus Charter holders stand to receive for the past year a total of 8.35p per share plus 1.21p (from Minorco) making a total of 9.56p net for the year compared with *8.625p net for the* previous 12 months.

The main factor distorting the latest results is that when the size of an investment falls below 20 per cent of the company concerned, only its dividends come into Charter's revenue figures.

If holdings go to 20 per cent *and above, the company is* treated as an associate and thus Charter's percentage interest in its profits is taken into the Charter results.

Thus the latest figure for retained profits is swelled by the inclusion of the share in Johnson Matthey half-year earnings, *as a result of the 28 per cent* stake acquired in that company last year. By the same token, £5.4m and £1.8m, respectively, are taken into Charter's results in respect of first-half earnings of Minorco and Anglo American Corporation of Canada until they ceased to be associate companies under the reorganisation.

The latest profit on extraordinary items reflects the net profit on the investments sold under the reorganisation scheme, less the final provision against losses of Cleveland Potash which no longer carries any liability for Charter.

A major factor in the current year is whether the bid by British Petroleum for Selection Trust goes through and on what terms. Charter, which holds 25.8 per cent of Selection Trust, stands to receive a major injection of cash or disposable assets —for example, a bid equal to £13 per share for Selection Trust would *be worth some £106m*, equal to £1 per share, to Charter.

What remains to be seen is how Charter would deploy such funds. The impression is that they would be used in furtherance of existing policies which concentrate attention on assets in the UK and Europe (just over 50 per cent), North America (20 per cent) and Australasia and the Far East (18 per cent).

GOLD OUTPUT UP LAST MONTH

South Africa's gold production during May totalled 1,794,231 *ounces compared with 1,722,923* ounces in April and 1,717,372 ounces in March, according to the latest statistics from the Republic's Chamber of Mines.

However, the total output for the first five months of this year —9,039,112 ounces—is still lagging well behind the 9,421,043 ounces produced in the same period in 1979.

The fall in production continues to reflect the sharply higher bullion prices, which allow the economic mining of the lower grade ores.

The sharp rise in prices received by the mines is well illustrated by Free State Geduld, one of the major gold producers in the Orange Free State. In the quarter to the end of March this year the mine received an average $626 an ounce compared with $405 in the December quarter, 1979, and $306 in the September quarter of last year.

A second reason for the decline in output, as pointed out in the Gold Fields group's annual publication Gold 1980, is that some of the major producers in the Orange Free State have exhausted their higher grade ore reserves and have had to move into lower grade areas, although the effect on output has been *partially offset by increased* mining and milling capacity.

S. African mining tax plea

THE South African Government's revenue from gold mining tax and leases will increase during the current fiscal year by 66 per cent to R2.49bn (£1.4bn), according to budget estimates, Mr. Dennis Etheredge, president of the Chamber of Mines, said yesterday.

This brings the total estimated increase in the Government's revenue from the industry over a three-year period to something like 260 per cent, Mr. Etheredge told the Chamber's annual meeting in Johannesburg.

He said that the Chamber remains convinced that the authorities should extend capital allowances, at present applicable only to newer gold mines, to all new mining development, including extensions to existing mines. In addition, the undistributed profits tax should be abolished.

These measures, he said, would stimulate investment and enable the mining houses to fund the costly exploration, expansion and development programmes which are essential for increased mineral production.

The meeting was told that 1979 had seen the resurgence of mining as the dominant factor in South Africa's economy. This was indicated by the fact that the industry's share, including processed minerals, of the country's total exports rose from about 68 per cent in 1978 to 73 per cent last year.

The total value of South African mineral sales during the year, including gold, increased by 42.1 per cent to R9.77bn (£5.43bn), while mineral exports increased by 45.5 per cent to R8.5bn.

Sales of practically all of South Africa's minerals rose appreciably in value last year, Mr. Etheredge noted, and some, notably coal, iron ore and manganese, increased in volume as well. The value of gold sales rose last year by 49.8 per cent, silver by 103.3 per cent, diamonds by 22.8 per cent, and coal by 30.8 per cent, for example.

The performance of coal was especially remarkable, with sales exceeding the R1bn level for the *first time ever, thanks largely to* increased consumption for electricity and a 52.3 per cent rise in exports to 23.3m tonnes. Exports earned more than R500m last year, placing coal in the same league as an earner of foreign exchange with diamonds, uranium and platinum.

Turning to gold, Mr. Etheredge stressed that every effort should be made to halt the trend of declining consumption by the jewellery trade, which was evident last year when usage by this sector fell from 1,007 tonnes to 737 tonnes.

To this end, the Chamber's gold promotion and marketing arm Intergold is to set up a commercial advisory service covering the various financing and hedging facilities available to the trade. In addition, a gold information campaign similar to that carried out recently in the U.S. is to be launched in the U.S.

BASE LENDING RATES

A.B.N. Bank	17 %	■ Hambros Bank	17 %
Allied Irish Bank	17 %	■ Hill Samuel	§17 %
American Express Bk.	17 %	C. Hoare & Co.	†17 %
Amro Bank	17 %	Hongkong & Shanghai	17 %
Henry Ansbacher	17 %	Industrial Bk. of Scot.	17½%
A P Bank Ltd.	17 %	Keyser Ullmann	17 %
■ Arbuthnot Latham	17 %	Knowsley & Co. Ltd.	19 %
Associates Cap. Corp.	17 %	*Langris Trust Ltd.*	17 %
Banco de Bilbao	17 %	Lloyds Bank	17 %
Bank of Credit & Cmce.	17 %	Edward Manson & Co.	18 %
Bank of Cyprus	17 %	Midland Bank	17 %
Bank of N.S.W.	17 %	■ Samuel Montagu	17 %
Banque Belge Ltd.	17 %	■ Morgan Grenfell	17 %
Banque du Rhône et de la Tamise S.A.	17½%	National Westminster	17 %
Barclays Bank	17 %	Norwich General Trust	17 %
Bremar Holdings Ltd.	18 %	P. S. Refson & Co.	17 %
Brit. Bank of Mid. East	17 %	Rossminster	17 %
■ Brown Shipley	17 %	Ryl. Bk. Canada (Ldn.)	17 %
Canada Perm't Trust	18 %	Schlesinger Limited	17 %
Cayzer Ltd.	17 %	E. S. Schwab	17 %
Cedar Holdings	17 %	Security Trust Co. Ltd.	18 %
■ Charterhouse Japhet	17 %	Standard Chartered	17 %
Choulartons	17 %	Trade Dev. Bank	17 %
C. E. Coates	17 %	Trustee Savings Bank	17 %
Consolidated Credits	17 %	Twentieth Century Bk.	17 %
Co-operative Bank	*17 %	United Bank of Kuwait	17 %
Corinthian Secs.	17 %	Whiteaway Laidlaw	17½%
The Cyprus Popular Bk.	17 %	Williams & Glyn's	17 %
Duncan Lawrie	17 %	Wintrust Secs. Ltd.	17 %
Eagil Trust	17 %	Yorkshire Bank	17 %
E. T. Trust Limited	17 %		
First Nat. Fin. Corp.	19½%		
First Nat. Secs. Ltd.	19 %		
Robert Fraser	17 %		
Antony Gibbs	17 %		
Greyhound Guaranty	17 %		
Grindlays Bank	‡17 %		
■ Guinness Mahon	17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 *and under 15%, up to £25,000* 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

EUROPEAN OPTIONS EXCHANGE

Series		July Vol.	July Last	Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Stock
ABN C	F.280	—	—	5	20	—	—	F.295
ABN C	F.300	—	—	2	10	—	—	"
ABN C	F.310	2	1	—	—	—	—	"
AKZ C	F.25	—	—	13	1.20	4	1.90	F.23.80
AKZ C	F.22.50	—	—	3	0.50	—	—	"
AKZ P	F.25	—	—	—	—	15	1.80	"
ARB C	F.65	7	1.80	—	—	—	—	F.65.20
EK C	$60	4	¾	10	2½	—	—	$57¾
HEI C	F.60	—	—	30	2.90	—	—	F58
HEI C	F.65	—	—	4	1.50	—	—	"
HEI P	F.55	—	—	1	2	—	—	"
IBM C	$60	1	9	—	—	—	—	$58⅝
IBM C	$65	—	—	1	1⅝	—	—	"
KLM C	F.60	—	—	5	5.30	—	—	F.60.20
KLM C	F.70	70	0.30	2	2.30	—	—	"
KLM C	F.80	50	0.10	—	—	—	—	"
KLM P	F.60	6	2	1	4.80	2	6	"
KLM P	F.70	25	9.90	—	—	—	—	"
NAT C	F.100	1	13.70	—	—	—	—	F.113.20
NAT C	F.109.10	8	5	—	—	—	—	"
NN C	F.120	—	—	26	1.80	2	3.30	"
NN C	F.110	—	—	5	2.50	—	—	"
PET C	Fr.5500	—	—	—	—	1	350	Fr.5060
PHI C	F.17.50	—	—	109	1.20	60	1.70	F.17.70
PHI C	F.20	—	—	18	0.30	70	0.70	"
PHI C	F.17.50	—	—	10	0.60	—	—	"
RD C	F.150	53	17	103	17.40	—	—	F.166.50
RD C	F.160	18	7.20	6	9.50	1	12	"
RD C	F.170	60	1.50	110	3.80	10	6.20	"
RD P	F.145	—	—	10	1.30	—	—	"
RD P	F.150	10	0.20	—	—	3	3.20	"
RD P	F.160	92	1	—	—	2	6.70	"
RD P	F.170	10	4.50	5	9.90	—	—	F.117.50
UNI C	F.110	—	—	3	10	—	—	"
UNI C	F.115	30	3.50	22	5.70	—	—	"
UNI C	F.120	23	0.70	24	2.60	—	—	"
UNI P	F.115	5	0.70	17	2	—	—	"
UNI P	F.120	—	—	14	4.20	—	—	"
		Aug.		Nov.		Feb.		
OXY C	$25	—	—	20	3⅝	22	4⅝	$27¼
SIE C	DM.270.50	18	8.50	30	10	—	—	DM275.70
SIE C	DM.280.50	—	—	25	5	15	9	"
SLB C	$100	1	16¼	—	—	—	—	$115⅞
SLB C	$110	2	8¼	2	12¾	—	—	"
SLB C	$120	4	3	4	7	—	—	"

TOTAL VOLUME IN CONTRACTS 1341

C=Call P=Put

Today's company meetings

Booth International, Albany Hotel, St. James's Street, Nottingham, 12. Border Breweries (Wrexham), Wrexham ACC Centenary Club Premises, 12. Chesterfield Properties, 1, Avery Row, W., 11. John Crowther, Union Mills, Milnsbridge, Huddersfield, 12. Hawtin, Metropole Hotel, Blackpool, 2.30. Hoveringham, Seaton Buildings, Jameson Street, Hull, 12. London and Northern, Essex Hall, Essex Street, W.C., 3. London Atlantic Investment Trust, Connaught Rooms, Great Queen Street, W.C., 2.30. MGM Assurance, MGM House, Heene Road, Worthing, 12.30. Marks and Spencer, Hotel International, Hyde Park, W., *11. Scottish* Heritable Trust, 11, George Square, Glasgow, 12. Tebbitt, 24, Portland Place, W., 11.

SPAIN

June 24	Price %	+ or —
Banco Bilbao	212	—2
Banco Central	342	—2
Banco Exterior	208	
Banco Hispano	214	+2
Banco Ind. Cat.	122	
Banco Madrid	141	
Banco Santander	272	—4
Banco Urquijo	147	
Banco Vizcaya	223	+2
Banco Zaragoza	202	+2
Dragados	76	
Espanola Zinc	59	—1
Fecsa	64.5	
Gal. Preciados	26	—1
Hidrola	70.7	+1
Iberduero	67.2	
Petroleos	106.5	—1
Petroliber	88	+3
Sogefisa	107	
Telefonica	59.5	+0.5
Union Elect.	62.5	

LCP finishes year with profit ahead at £6.5m

FROM HIGHER turnover of £216.72m against £182.7m, profits before tax of L.C.P. Holdings improved from £6.06m to £6.51m in the year ended March 31, 1980. The dividend total is effectively raised from 3.67p to 4.3p net with a 2.5p final.

First-half profits had risen from £2.81m to £3.17m and the directors then were anticipating a satisfactory outcome for the year.

The year's profits are after debiting £195,000 from discontinued activities against the previous year's £654,000 credit, associates profits of £264,000 (nil) and interest of £2.96m (£2.58m). There was also a development dealing surplus of £801,000 in 1978-79.

Pre-tax earnings per share are stated as 13.4p (13.8p) and 8.6p (9.2p) net. Net assets per share are 91p against 95p.

Extraordinary debits of £1.34m comprise a £1.61m provision for terminal costs on discontinued engineering operations after tax relief, a £312,000 surplus on disposal of a motor vehicle dealership and other debits of £35,000. The previous year's £7.04m credit *mainly comprised a £7.53m surplus* on the sales of L.C.P. Homecentres.

● comment

LCP was slightly miffed to be described recently by an analyst as a "dirty property company." The perjorative was not inten*tional but it does highlight a* certain difficulty in rating the shares, particularly since it has no plans to pursue the Laing solution. The industrial property portfolio accounts for £37m of capital employed and is the largest income contributor. Rents are now achieving over £2 per sq ft and LCP is confidently expecting a surplus of around £10m on revaluation next year. But, while the corporate strategy is now concentrated on property development and overseas acquisitions, recognising that UK vehicle distribution is probably ex-growth for the foreseeable future, the £4m employed in both the construction (mostly specialist brick *manufacture) and distribution* division is earning a healthy return. And despite reorganisation metals is earning almost 18 per cent. Two factors may defer any immediate re-rating. Gearing has reached 44 per cent following property and acquisition expenditure and a cash outflow of £7.5m is anticipated this year. The revaluation will help materially but earnings have been diluted for two successive years and, given the UK industrial outlook, a third year may be in prospect. Nevertheless, LCP is looking for marked rental growth and substantial benefits from U.S. and French investment. The shares, standing on a 17 per cent discount to assets, *yield 8.6 per cent at 74p where* the fully taxed p/e of 11.8 is about right for the time being.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Irish Distillers Trusthouse Forte, Vectis Stone.

Finals: BPB Industries, Barlow Holdings, Border Breweries (Wrexham), Brickhouse Dudley, Cattle's Holdings, Chubb, Cocksedge, James H. Dennis, Electric and General Investment, B. Elliott, Hicking Pentecost, Mercantile House, Christopher Moran, Powell Duffryn, Renwick, Schlesinger American Investments.

FUTURE DATES

Interims—	
Birmingham Pallet	July 3
Blundell-Permoglaze	July 2
Gough Cooper	July 3
Lloyds Bank	July 18
Finals—	
Benn Brothers	Aug. 6
Burnett and Hallamshire	June 26
Downing (G. H.)	July 9
Equity Consort Invest. Trust	*July 8*
Fodens	July 17
Hampton Gold Mining Areas	July 2
Joseph (Leopold)	July 26
Meyer (Montague L.)	July 14
Plessey	June 26
Radiant Metal Finishing	June 26
Ropner Holdings	June 30
Technology Investment Trust	July 2

Interest charges take toll and FNFC slumps to £0.83m

AFTER charging all interest, including that on the income, deferred and subordinated loans, amounting to £10.93m, pre-tax profits of First National Finance Corporation, banker, came out well behind at £825,000 for the half-year ended April 30, 1980, compared with £3.67m.

For the 1978-79 year, profits reached £21.6m and the directors said that with property prices levelling out and with interest rates proving to be a burden, it was not possible to make any reliable forecast as to the current year's outcome.

Interest rates have continued at high levels throughout the six months, and property prices realised have risen little above previous estimates. Apart from any situations which may arise, these will continue to affect the company's trading results in the lending and property division for the full year, the directors say.

Profits for the half year, which included £4.02m (£4.51m) from the consumer credit side, were subject to tax of £46,000 against £120,000.

Under the reorganisation scheme terms, approved December 31, 1975, and consequent on first half 1979-80 results, all interest due to date *on the support group loans* qualifies for payment, and sufficient remittances have already been made to cover this requirement.

Unpaid interest on the subordinated loans currently totals £7m.

The amount of release, in the first half, of provisions and suspended interest, in the lending and property division was £1.36m.

At the 1978-79 year-end a £1.2m provision was set up in relation to estimated future interest costs for doubtful debts. This has covered the first six months and has been utilised accordingly, but because high interest rates have continued, a further £1.1m has been provided to cover the second half.

Cash generated has enabled First National to reduce its liabilities in the period by £2.88m, after allowing for the £10.93m, interest charge.

Balance sheet shows a shareholders' deficiency of £37.2m (£37.98m), cash and short-term funds of £8.67m (£8.42m), subordinated loans stocks £22.24m (£21.51m).

BIA chairman

Mr. Jack Emms

Mr. Jack Emms, chief general manager and vice chairman of the Commercial Union Assurance Company, has been elected chairman of BRITISH INSURANCE ASSOCIATION. Mr. Peter Dugdale, managing director of the Guardian Royal Exchange Assurance Group, has been re-elected a deputy chairman. Mr. Peter Sharman, chief general manager and a director of the Norwich Union Insurance Group has also been made a deputy chairman.

★

Sir Robert Hunt, Mr. G. R. Seymour and Mr. Antony Ratcliff, have been appointed to the Boards of EAGLE STAR *HOLDINGS and EAGLE STAR* INSURANCE. Sir Robert is chairman and chief executive of Dowty Group, and Mr. Seymour is deputy chairman of Whitbread and Company. Mr. Ratcliff is chief general manager of Eagle Star Insurance.

★

Mr. Nicholas Beresford-Jones, Mr. O. Paul Richards and Mr. John Tylor have been appointed to the Board of SAMUEL MONTAGU AND CO. from July 1.

★

Mr. Roger Phillips has been appointed personnel director of B. AND Q (RETAIL).

★

The Steetley Company announces that, following the merger with Gibbons Dudley, operations in the UK and Europe will be restructured from June 29 into eight wholly owned subsidiaries under Mr. A. L. Beard, managing director UK and Europe. The subsidiaries are: Steetley Minerals, Mr. T. W. Lythe, chairman and managing director; Steetley Construction Materials, Mr. H. A. M. Edwards, chairman and Mr. R. W. Edwards, managing director; Steetley Refractories, Mr. J. B. Pearson, chairman and Mr. N. Ball, managing director; Steetley Brick, Mr. Pearson, chairman and Mr. K. C. Pegler, managing director; Steetley Engineering, Mr. G. J. Stanley, chairman and Mr. S. F. Browning, managing director; Steetley Chemicals, Mr. Beard, chairman, and Mr. J. G. Robertson, managing director; Steetley Properties (Holdings) Mr. Stanley, chairman and Mr. B. W. Bibb, managing director; and Steetley Transport, Mr. R. W. Edwards, chairman, and Mr. W. B. Twigg, managing director.

Steetley Minerals and Steetley Refractories will form the minerals group under Mr. D. G. Gill. Steetley Construction Materials, Steetley Brick and Steetley Transport will form the Construction Materials Group under Mr. H. A. M. Edwards.

★

Mr. Robin Axford has been appointed managing director of CARPETS OF WORTH, the Stourport based spool axminster carpet manufacturers. He succeeds *Mr. Barry Wild who* has accepted another position in the industry. Mr. R. G. Southall has been appointed as sales director designate to Mr. Reg Harris, who retires in February next year.

★

Mr. Alan Traill has succeeded *his father Mr. George Traill as* chairman of TRAIL ATTENBOROUGH following his retirement.

★

PROVINCIAL BUILDING SOCIETY has appointed Mr. Alan H. Douglas assistant general manager (marketing). Mr. Douglas was previously marketing manager at the Bradford head office.

★

J. H. MINET AND CO. has appointed Mr. P. J. Green as director of the UK division.

★

Mr. George Stenhouse has *joined consulting engineers* W. S. ATKINS AND PARTNERS as technical director in charge of the oil and gas division's offshore structures department.

★

Mr. H. B. (Terry) Hamilton, has been appointed managing director of MACTAC, —the Northampton-based company which manufactures, converts and markets pressure-sensitive adhesive materials.

★

Mr. John P. U. Burr, a director and member of the executive committee of Bass, has become president of THE COM*MUNAUTE DE TRAVAIL DES* BRASSEURS DU MARCHE, COMMUN (CBMC) the brewers association of the Common Market.

★

Mr. Christopher R. Hilton has been appointed a director of the LEICESTER BUILDING *SOCIETY from July 1.*

Engelhard Minerals in agreed bid for insurance group

BY DAVID LASCELLES IN NEW YORK

ENGELHARD MINERALS and Chemicals, the large minerals, mining and trading company whose profits have been soaring on the back of the commodity and oil and price boom, yesterday announced a diversification into insurance and other fields.

In a deal which has the approval of both boards, it is to absorb NN Corporation, a Milwaukee-based holding company whose interests include most kinds of insurance, the manufacture of business forms, and building materials.

NN's revenues last year were $423m and its profits $38.5m. However, only the insurance side of the company was in the black, achieving a profit of about $45m. Other segments posted losses of $6.5m.

Under the terms of the tax-free merger, Engelhard will issue 1.33 of its shares for each NN share. At yesterday's market value of Engelhard shares of $34, this gives the deal a potential value of $280m. However, the agreement includes escape clauses for both sides if the value of Engelhard shares moves sharply up or down.

Engelhard more than doubled its profits to $350m last year, mainly because of improvement at its Philipp Brothers Division, which trades in a wide range of commodities as well as oil.

Engelhard also benefited from the recent Hunt silver crisis as the Hunt brothers were *forced to buy themselves out* of a silver delivery deal with Engelhard at terms which were highly favourable to the minerals company. It included the transfer to Engelhard of valuable Hunt oil leases in the Canadian Arctic seas. By some estimates Engelhard obtained properties worth $750m for an effective price of $250m.

Engelhard's deal is the latest in a long line of insurance company acquisitions by highly profitable companies seeking a steady-yielding home for their funds. On June 5, Getty Oil launched a $570m bid for ERC, a large Kansas City insurance company.

National Semiconductor beats target for year

BY OUR FINANCIAL STAFF

VARYING performances in the computer industry are shown by trading results for the past three months from major companies.

National Semiconductor, a major manufacturer of semiconductor components, has beaten forecasts for fiscal 1980, while Data General, which makes small- and medium-sized computers, has recorded profits only up 3 per cent in the nine month stage, which suggests that the company could fail to meet analysts' forecast for the full year.

National Semiconductor, pushed earnings ahead by 71 per cent to $16.4m or 80 cents a share in the final quarter, bringing its year-end total to $52.3m or $2.58, a gain of 52 per cent. Analysts had predicted earnings of about $2.40 for fiscal 1980, rising to $2.65 in the coming year. Sales for the year were 36 per cent higher at $980.4m.

National said that the sharp increase in fiscal 1980 net income reflected strong gains from its semiconductor product line.

Consumer businesses continued to contribute to overall company performance and laser scanning systems were shipped at record levels.

Data General is also showing strong gains in sales, with third quarter revenues up 48 per cent to $156.1m, making the nine month sales total 31 per cent higher at $439.9m.

But earnings at Data, which sells about 27 per cent of its products outside the U.S., are only up 8.8 per cent in the third quarter at $13.6m.

INTERNATIONAL CAPITAL MARKETS

Iberduero opens heavy DM bond calendar

BY FRANÇIS GHILÈS

THE JULY calendar of foreign Deutsche Mark bond issues was opened yesterday when Dresdner Bank launched a DM 100m public issue for Spain's largest utility, Iberduero. This bond includes a maturity of 10 years and carries an indicated coupon of 8¾ per cent. It is expected to be priced at par.

The German Capital Markets Sub-Committee agreed on a calendar of new issues totalling DM 900m to July 23. This figure could rise to over DM 1bn if issues for two supranational borrowers, the World Bank and the European Bank, which technically are not included in the calendar, come to the market. The sub-committee also allowed for three public issues to be arranged between July 23 and August 4 when its next meeting is scheduled.

The second issue in the calendar will come next Monday. DM 200m, through Commerzbank, probably for New Zealand. This will be followed by a DM 75m issue for a European address through Westdeutsche Landesbank on July 11 and a DM 100m issue through Dresdner on July 14 for a non-European sovereign borrower.

FOREIGN DM BONDS

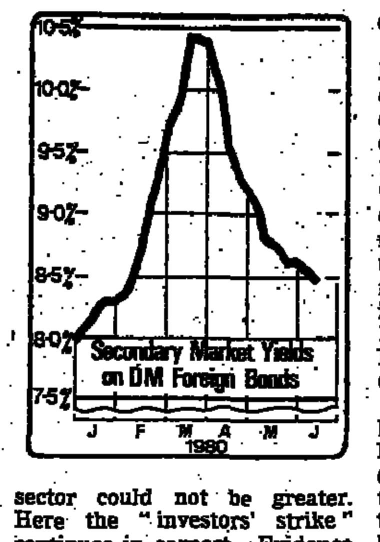
Calendar for	Approved DMm	Issued DMm
January	1,200	1,240
February	640	450
March	580	380
April	100	1,550
May	800	815
June	—	1,120
July	900	—

On July 16 Westdetusche Landesbank will launch a DM 100m issue for a European address, while the next day Deutsche Bank will bring a yet unspecified borrower to the market for DM 150m. On July 18 the same bank will launch a DM 100m public issue for a European industrial name and the calendar will be closed on July 21 by Norddeutsche Landesbank, a rare manager of foreign Deutsche Mark issues, with a DM 75m private placement for a South African borrower.

In the 10 days after this Commerzbank will bring a European state to the market for DM 100m, Deutsche Bank a European sovereign borrower for DM 100-150m and Dresdner Bank a non-European industrial name for DM 100m.

This calendar, the largest since last December, hardly ruffled the market. Prices dipped slightly in the morning but quickly recovered to end the day ⅛ of a point higher.

Most new issue managers argued that if the yield offered by the new issues was reasonable, the market could easily absorb DM 1bn-plus during the next four weeks.



The contrast with the dollar sector could not be greater. Here the "investors' strike" continues in earnest. Evidence for this can be found in the heavy discount at which the new batch of straight dollar issues launched on Monday night were standing yesterday. This is despite the fact that the bond issues for Lonrho, United Biscuits and Republic Steel all offer coupons above 10 per cent.

True, straight dollar issues launched last week, which offered coupons below 10 per cent, are standing at larger discounts: the 9¾ per cent bond to 1986 for Export Development Corporation was quoted at a discount of three points in pre-market trading yesterday while the 9¼ per cent bond to 1987 for A/S Exportfinans was standing at a discount of 3½ points. Even at this level, the A/S Exportfinans offers a return of only 10.28 per cent.

Allocations for the 9¾ per cent bond to 1986 for Continental Illinois were announced yesterday; underwriters were asked to take their full allotments and the bonds started trading at a heavy discount from their issue price of par. The lead managers, Continental Illinois Ltd. and Goldman Sachs, were quoting a price of 96¼-¾ while elsewhere in the market traders were quoting 96-96½.

At that level, the Continental issue offers the investor a return of 10.63 per cent. This is still around 100 basis points below what can be obtained on many seasoned dollar issues.

Seasoned fixed-interest dollar Eurobonds were relatively unaffected; prices slipped by around ⅛ of a point but the volume of trading was small. Fears, however, are being expressed by some dealers that the bad news on the new issue front could eventually spill over into the secondary sector as a whole and push prices down.

In the Swiss franc sector the World Bank has arranged a SwFr 100m 15-year issue carrying a coupon of 5⅞ per cent through Swiss Bank Corporation.

In the secondary Swiss franc sector, prices slipped by ¼ of a point in thin trading.

The next foreign French franc bond is expected to be announced later this week. Seasoned issues in this sector are holding up well, not least because of the steadiness of the French franc.

Beatrice Foods edges ahead

By Our New York Staff

BEATRICE FOODS, the large Chicago-based food manufacturer, yesterday reported a small increase in first quarter earnings. Net income was $74.2m, equal to 72 cents a share, up from $72.1m or 70 cents a share in the same period last year. Revenue was $2.1bn, up from $2bn.

Fully diluted earnings per share were 68 cents, against 66 cents previously.

Mr. James Dutt, chairman, said results had been affected by softness in a number of Beatrice's non-food operations caused by the recession, higher taxes and increased interest costs.

Apart from food, Beatrice produces chemicals, leisure equipment, and home products which account for just over a third of Beatrice's income.

Beatrice has already predicted that it would report record sales and earnings for fiscal 1981, its 29th year in a row. Earnings in 1980 were $290m or $2.81 a share and revenues totalled $8.3bn.

City Investing forecasts second quarter decline

BY OUR FINANCIAL STAFF

CITY INVESTING expects second quarter net income to decline about 15 per cent from the year earlier period to about $30m. It said first-half net income is expected to be about $57m, about the same as a year earlier.

In remarks prepared for a meeting of institutional investors, Mr. George Scharffenberger, the chairman, said reduced second-quarter earnings primarily reflected an adverse cyclical trend in property casualty insurance underwriting, substantially reduced sales of single family homes and lower volume in some of the company's manufacturing operations.

City Investing's magazine printing, community development, budget motels and international manufacturing operations continued to report substantial earnings growth, he added.

The company expects earnings for the balance of 1980 to be between 10 per cent above or below last year's $132.6m or $3.60 a share.

Last Friday Tamco Enterprises, the small private company headed and part-owned by Mr. Lyman Hamilton, the former chief executive of International Telephone and Telegraph, said it had bought about 8 per cent of City Investing's common shares. Mr. Hamilton said Tamco was considering renewing its takeover offer for City Investing which City's board had earlier rejected.

DATA SUPPLIED TO IMF

Romania shows drop in reserves

BY PETER MONTAGNON

ROMANIA, WHICH has been a regular borrower on the Euromarkets, has begun to supply the International Monetary Fund with internationally comparable data on its financial position. The data, published for the first time in this month's IMF Financial Statistics, show that total reserves fell steadily in the first quarter of 1980 to 452m special drawing rights ($597m) in March from 569m SDRs in January.

The figure includes Romania's gold holdings valued at 35 SDRs ($46.22) per ounce. In March these stood at 3.61m ounces, compared with 3.59m in January, giving total reserves without gold of 326m SDRs compared with 443m SDRs.

Foreign exchange holdings alone were put at 304m SDRs compared with 417m SDRs in January. These are small when compared with Romania's gross borrowings from international banks, which are estimated by the Bank for International Settlements to have reached $3.98bn at the end of last year.

However, the IMF points out that Romania has traditionally operated on a low level of reserves. Reserves, excluding gold, at the end of 1979 were 4.8 per cent of total imports during the year, which was a higher ratio than in each of the two preceding years.

In 1979 Romania had a trade deficit of $1.19bn compared with one of $961m in 1978. This followed a period of several years in which Romania's trade had been in approximate balance

Conoco plans increased international exploration

BY OUR FINANCIAL STAFF

CONOCO, the U.S. oil group which has interests in the Murchison and Statfjord fields in the North Sea, is to treble its international exploration spending to $160m this year.

Mr Ralph Bailey, the chairman, said in Frankfurt that Conoco (formerly Continental Oil) expected to participate in 44 wells this year, compared with 21 in 1979, reflecting the success of its drilling programme in the past few years.

Capital spending on international production activities would reach about $310m, of which some three quarters would go to North Sea developments.

Conoco and its partners earlier this year decided to bring the Hutton field into production in a £600m scheme involing reolutionary technology, the tension leg platform, which is a floating structure moored to the seabed by vertical lines. The Hutton field has recoverable reserves of between 175m barrels and 250m barrels. Production is due in 1984 with a peak rate of 115,000 barrels a day.

Mr Bailey said yesterday that Conoco's North Sea production was expected to reach an average 22,000 barrels a day this year, up from 16,450 last year, and that it would rise to more than 100,000 b/d by the mid-1980s.

In the U.S. the company intends spending a total of $340m on petroleum production this year, an increase of 40 per cent on the level of spending in 1979. However, production is likely to decline by about 6.5 per cent after the 5.3 per cent fall in the previous year.

Last year Conoco almost doubled net profits from $451.3m to $815.4m on revenues ahead from $9.9bn to $13.1bn.

Setback at Corning Glass

BY OUR FINANCIAL STAFF

NET EARNINGS at Corning Glass Works dropped from $40.01m to $35.32m in its second quarter to June 15 on sales only marginally higher at $344.6m compared with $339.2m. Per share, earnings came out at $2.01 against $2.25.

The company said the reduction in profit came mainly from the U.S., where automotive and consumer housewares businesses fell significantly from the levels achieved a year earlier.

Sales held up well in the electronic components, medical products, laboratory glassware and glass refractories operations, it said, as did Latin American and Asian activities. Europe held up moderately well.

For the half year earnings were down from $74m to $61.62m on sales of $700.1m against $669.3m.

The latest quarter's profit includes a $1.67m, or 10 cents a share, gain from a change in its method of accounting for interest, while the half-year total benefited by $3.33m.

AMERICAN QUARTERLIES

BROWN-FORMAN	1980 $	1979 $
Fourth quarter		
Revenue	164.0m	152.0m
Net profits	12.8m	9.5m
Net per share	1.01	0.75
Year		
Revenue	676.0m	560.0m
Net profits	50.4m	40.1m
Net per share	3.97	3.15
GENERAL INSTRUMENT	1980 $	1979 $
First quarter		
Revenue	205.0m	150.5m
Net profits	15.03m	10.41m
Net per share	1.69	1.27
HOEHRING	1980 $	1979 $
Second quarter		
Revenue	120.4m	132.1m
Net profits	3.64m	4.32m
Net per share	1.09	1.31
Six months		
Revenue	235.0m	227.1m
Net profits	6.55m	6.42m
Net per share	1.93	1.89
PACIFIC TEL. & TEL.	1980 $	1979 $
Second quarter		
Revenue	1.41bn	1.24bn
Net profits	65.14m	71.41m
Net per share	0.39	0.42
Year		
Revenue	5.31bn	4.69bn
Net profits	303.3m	306.9m
Net per share	1.80	1.82
STOKELY-VAN CAMP	1980 $	1979 $
Year		
Revenue	541.5m	552.6m
Net profits	11.4m	13.1m
Net per share	3.23	3.73

London branch for Riggs Bank

By Nicholas Colchester

THE Riggs National Bank of Washington DC, best known to diplomats, lobbyists, civil servants, congressmen, senators and presidents as the bank for smart residents of the U.S. capital, has now opened a branch in London.

The bank's aim is to extract benefit, in the shape of Eurocurrency loans and deposits, from its high level contacts in Washington. Mr. Vincent Burke, the chairman, explains that contact with the Washington missions of foreign countries has already led to significant deposits with Riggs in the Bahamas. The London branch should reinforce this inflow of funds.

On the assets side the London operation is expected to help Riggs serve multi-national corporations with which it also has contact through their liaison offices in Washington.

Although a regional bank of regional size, Riggs has already developed a portfolio of loans to foreign countries, some f which resulted from contacts with diplomatic customers in Washington.

هكذا من الأصل

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on June 24

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	93⅝	93⅞	−0⅛	−0½	11.18
Australian Res. 9⅝ 84	30	96½	97	−0⅛	−0⅛	10.53
Beneficial Fin. 9¾ 87	100	93¼	93¾	−0¼	−0¾	11.12
CECA Grad. Rate 12 86	100	99¾	100¼	0	−0⅜	11.19
CECA 11⅝ 90	50	99¾	100¼	−0¼	−1⅛	11.57
CECA 11½ 88	100	101⅞	102⅛	−0¼	−1⅛	11.12
Canadian Pacific 9¾ 89	50	94⅜	94⅝	−0½	−0¾	10.73
Carter Hawley 9¾ 86	50	93⅝	94⅛	−0⅜	−0⅞	11.20
Continental Grp. 9⅝ 86	100	94½	95	−0¼	−1⅛	10.86
Denmark 11¾ 90	100	100⅝	100⅞	−0½	−1½	11.63
Dome Petroleum 13½ 92	50	104⅝	105⅛	−0¼	−1⅛	12.67
EEC 11 85	75	97½	98	−0½	−1⅛	11.31
EIB 11¾ 92	80	99⅝	100⅛	−0½	−1⅛	11.74
EIB 13¾ 90	100	108	108½	−0⅜	−1½	12.25
Eksportfinans 11¼ 87	50	101	101½	−0½	−1¼	10.94
Export Dv. Cpn. 9¾ 84	150	97⅜	98⅛	−0½	−0⅞	10.38
Export Dv. Cpn. 12¾ 87	100	106	106½	−0¼	−1½	11.38
Federal Dev. Bk. 12¼ 85	75	104⅞	105⅜	−0¼	−0⅞	10.83
Finland, Rep. of 9½ 86	100	94	94½	−0¼	−0⅜	10.88
Ford O/S Fin. 12⅝ 85	250	100⅝	101⅛	−0⅜	−1⅛	12.36
George Weston 13½ 87	30	102⅝	103⅛	−0⅜	−0⅞	12.84
GTE Finance 9¾ 89	55	91⅞	92⅜	+0⅛	+0⅞	11.18
GMAC 9¼ 86	100	94½	95	−0¼	−0⅜	10.47
GMAC O/S Fin. 11 84	100	100½	101	−0½	−1	10.74
GMAC O/S Fin. 13⅛ 85	100	106⅜	106⅞	−0½	−1	11.54
Goodyear O/S 12½ 87	75	99¼	99¾	−0⅜	−0⅜	12.63
IBM Canada 10½ 85	50	100⅜	100⅞	−0½	−1¼	10.33
[illegible] Ned. 11 83	100	100⅝	101⅛	−0⅜	−0½	10.57
Kennecott Int. 9½ 86	100	90⅝	91⅛	0	+0½	11.72
[illegible] 13½ 85	75	103⅛	103⅝	−0⅜	−0⅜	12.50
Michelin 10 94	125	91⅝	92⅛	−0⅜	−1⅛	11.16
Nat. Des. Telecm. 9½ 86	100	95⅞	96⅜	−0½	−0⅞	10.40
Norway 9½ 84	150	97⅜	97⅞	−0¼	−0½	10.26
Norwest Ind. 13⅜ 87	50	101⅛	101⅞	−0⅜	−1⅛	13.23
Nova Scotia Pwr. 9¾ 89	50	93⅛	93⅝	−0¼	−0⅛	10.92
Quebec Hydro 11½ 92	100	98¾	99⅜	−0½	−0⅜	11.66
Roylease Ltd. 11¼ 85	50	101½	102	−0⅜	−0¾	10.77
[illegible] 85	50	105⅜	106⅛	−0½	−1⅛	10.75
Statoil 9¾ 89	100	94⅝	95⅛	−0⅜	−1⅛	10.52
Swed. Ex. Cred. 12½ 85	40	104½	105	−0⅛	+0⅛	11.16
Sweden 9⅝ 89	100	93⅞	94⅛	−0⅜	−1⅛	10.80
Sweden 9¾ 84	100	97⅜	98⅛	−0¼	−0⅜	10.35
Warner-Lambert 9 84	100	95½	96	−0⅜	−1⅜	10.34

Average price changes... On day −0⅛ on week −0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Akzo 9 90	125	103	103½	+0⅛	+1¼	8.48
Asian Dev. Bank 10 90	200	108⅞	109⅜	0	−0⅛	8.56
Australien 8¼ 90	250	102	102½	+0¼	+0¼	7.76
BFCE 7¾ 87	100	99	100	+0¼	0	7.84
BFCE 8¼ 95	100	99½	100¼	+0⅛	+0⅛	8.15
Brazil 8 87	150	93¼	94⅛	+0¼	0	9.23
[illegible] 7 91	150	93	94	0	−0⅞	7.91
Council of Eur. 7¼ 83	100	94⅞	95⅝	+0¼	+0⅜	8.01
Denmark 7⅞ 86	100	98	99	+0¼	0	8.20
Denmark 8¼ 92	100	99⅝	100⅜	+0⅛	0	8.25
FFC 7⅞ 94	225	98⅜	99⅛	0	+0¼	7.99
EIB 7½ 89	200	97⅛	98⅛	−0⅛	0	7.88
[illegible] of 8 86	150	99⅛	99⅞	+0⅛	+0⅛	8.09
Kobe, City of 7½ 89	150	95⅞	96½	+0¼	+0½	7.72
Neder. Gasunie 8 86	100	102⅛	102⅞	+0⅛	+0¾	7.48
Norway 7½ 85	250	99⅝	100⅛	+0⅛	+0½	7.48
OKB 7¾ 89	100	95⅛	96⅛	0	−0⅛	8.03
Oslo, City of 8⅝ 90	80	102⅛	102⅞	+0¼	+0¼	8.30
[illegible] 9¼ 87	200	107	107⅝	+0¼	+0⅛	8.27
World Bank 7¾ 91	400	97⅛	98⅛	+0⅛	0	8.06
World Bank 7¾ 90	250	98½	99⅛	+0⅛	+0⅛	8.04
World Bank 10 86	150	107⅝	108½	−0⅛	−0⅛	8.19
World Bank 10 90	200	111	111⅝	+0⅛	+1⅛	8.25

Average price changes... On day +0½ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	92⅝	93¼	−0⅛	−0¼	6.55
Aumar 5 89	80	92⅝	92⅞	+0¼	−0⅛	6.10
Bergen, City of 4⅝ 91	40	95	95½	0	−0½	5.33
Bergen, City of 6 90	50	†102⅝	103	+0⅛	−0½	5.63
BNDE 5 89	75	87½	88	−0½	−0⅜	6.86
BMW Overseas 4¾ 91	100	91⅝	92⅛	+0¼	−0½	5.20
Buhrm'n-Tetterode 7 90	40	105⅛	105⅝	+0¼	+0⅛	6.26
Caisse Nat. Tele. 4¾ 89	100	95⅜	96⅛	−0⅜	0	5.02
CCCE 5¾ 90	100	102½	103	−0¼	+0¼	5.37
Copenhagen 4½ 91	60	91	91½	−0⅛	+0⅛	5.55
Council of Eur. 5 89	100	95⅛	95¾	−0⅜	−0¼	5.62
EIB 4½ 91	100	91½	92	−1	−0½	5.52
EIB 4¾ 94	100	87¾	88¼	−0¼	−0⅜	5.62
Elet. de France 4½ 89	100	94½	95	0	0	5.11
GZB 4¾ 89	100	91⅝	92⅛	−0¼	+0⅛	6.38
Hilti 4½ 91	35	94½	95	+0⅛	+0¼	4.86
Int.-Amer. Dev. 4½ 89	100	92	92½	−0⅛	−0½	5.61
Int.-Amer. Dev. 7 90	80	106⅛	106⅝	+0⅛	−0¼	6.12
Jutland Tele. 5½ 90	50	100¼	100¾	−0⅛	−0¼	5.44
Malaysia 5 89	80	90¼	90¾	−0½	−0¼	6.38
Nippon Tel. & T 4¾ 89	100	95½	96	−0½	+0½	4.83
Nordic Bank 5 89	45	96½	97	+0¼	+0¾	5.46
Norges Komm. 4¾ 91	100	93⅛	93¾	+0⅛	+1	5.15
OKB 4¾ 91	100	90⅜	90⅞	−0⅛	−1⅛	5.61
OKB 6 90	100	103⅞	104⅛	−0⅛	−0¼	5.44
Oslo, City of 4¾ 91	100	89¾	90¼	−0½	−1	5.59
Shikoku El Pwr. 4¾ 89	100	94¾	95⅛	+0¼	0	5.46
Voest-Alpine 4¾ 89	90	96⅛	96⅝	0	+0½	5.25
World Bank 4¾ 89	100	94½	95	0	−0½	5.37
World Bank 4¾ 89	150	92	92½	−0½	−0½	5.48
World Bank 4¾ 91	100	93	93½	0	0	5.43

Average price changes... On day −0½ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	92	93¼	+0⅛	+0⅛	8.28
Australia 6½ 88	20	89¼	90⅛	+0⅛	−0⅛	8.37
EIB 7¾ 89	12	95⅛	96⅛	0	−0⅛	8.40
Finland 5.6 83	10	91½	92½	+0⅛	+0⅛	8.45
Finland 6.8 88	10	89⅝	90⅞	+0⅛	+0⅛	8.61

Average price changes... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¼ 85 C$	60	96⅜	96⅞	0	+0⅜	11.51
CIBC 13⅛ 85 C$	50	105	105½	0	−0⅛	12.00
Cr. Foncier 10¾ 84 C$	30	†92	93	0	−0½	12.74
Fst. Can. Inv. 10 84 C$	50	94⅝	95⅛	0	0	11.70
GMAC 12 85 C$	50	†99	99½	−0½	−1	12.21
Quebec 10¾ 86 C$	50	94	95	0	−0½	11.71
R. Bk. Canada 10 86 C$	40	94	94½	−0⅛	−0⅛	11.38
R. Bk. Canada 10 94 C$	40	88	88½	0	−0⅛	11.75
Tordom Cpn. 13½ 85 C$	30	104½	105	−0⅛	−0⅛	12.14
M. Bk. Dnmk. 9 91 EUA	25	94¾	96	−0⅛	−0⅛	9.67
SOFTE 8¾ 89 EUA	40	86⅝	88	−0⅛	−0⅛	10.51
U. Bk. Nrwy. 9½ 90 EUA	18	97¾	99	−0⅛	0	9.75
Algemene Bk. 8¼ 84 Fl	75	96½	97½	+0⅛	+0¼	9.16
Ned. Gasunie 8¾ 84 Fl	50	99⅞	100⅜	+0⅜	+1½	8.71
Ned. Middbk. 8¼ 84 Fl	75	95⅞	96⅜	+0⅛	+0¼	9.50
Norway 8¾ 84 Fl	100	97⅛	97⅝	+0½	+0½	9.09
Norway 8¼ 84 Fl	100	97¾	98¼	+0⅛	+0⅜	8.81
Philips Lamps 8¾ 84 Fl	75	97⅛	98⅛	+0½	+0⅛	8.94
Air France 11 84 FFr	120	95	95¾	−0¼	0	12.44
CECA 14¼ 86 FFr	150	104⅞	106⅛	0	+0⅛	12.81
Euratom 9¾ 87 FFr	150	84⅞	85⅝	−0⅛	−0⅛	13.11
Finland 11 84 FFr	80	94	94¾	−0¼	0	12.73
Finland 11½ 89 FFr	70	92½	93¼	0	+0½	12.78
Gaz de France 11 84 FFr	150	94⅛	94⅞	−0⅛	+0¼	12.67
IBM France 11⅞ 84 FFr	120	96⅞	98¼	−0⅛	−0⅛	12.58
Renault 9¾ 85 FFr	100	86⅝	87⅜	−0⅛	−0⅛	13.46
Saint-Gobain 9¾ 86 FFr	130	85½	86½	−0⅛	+0⅛	13.31
Solvay et Cie 9¾ 87 FFr	125	84	84¾	−0⅛	+1⅛	13.38
Beneficial Fin. 14¼ 90 £	20	100⅛	100⅝	−0⅛	−0⅛	14.16
Citicorp O/S 13½ 90 £	50	98¾	99½	+0⅛	−1⅛	13.63
EIB 11½ 91 £	25	90⅝	91⅛	−0⅜	−1¼	13.13
Fin. for Ind. 12¾ 89 £	30	96¾	97¼	0	−0⅛	13.13
Fin. for Ind. 14½ 88 £	20	102⅝	103⅛	−0⅛	−0⅞	13.80
Gen. Elec. Co. 12½ 89 £	50	96⅞	97⅞	0	−0⅛	13.04
Swed. Ex. Cr. 15⅛ 85 £	20	103⅝	104⅛	−0⅛	−0⅜	14.06
Indonesia 8¾ 91 KD	7	†93	93½	0	0	9.77
Mitsubishi 7½ 84 KD	10	†92¼	93	0	0	9.76
Norges Kom. 7½ 89 KD	12	†93⅜	93⅞	0	0	8.55
Occidental 8½ 91 KD	7	†90⅛	90⅞	0	0	9.89
Akzo 9¼ 87 LuxFr	500	94¼	95¼	0	+0⅛	10.28
Euratom 8 87 LuxFr	500	89⅛	90¼	−0⅛	0	10.19
Euratom 9¾ 88 LuxFr	500	97⅛	98⅛	−0⅛	−0⅛	10.09
EIB 9¾ 88 LuxFr	600	97½	98⅛	−0⅛	+0⅛	10.14
Volvo 9¾ 87 LuxFr	500	96⅛	97⅛	−0⅛	+0⅛	10.27

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5¼ 87	0¼	97⅞	98¼	2/7	15⅛	15.43
Banco di Roma Int. 6 87	0¼	100⅛	100⅞	25/10	15.31	15.22
Bank of Ireland 5¼ 89	‡0¼	98¼	98¾	21/8	11.81	11.99
Bank of Tokyo 5¼ 89	‡0½	97⅝	98⅛	25/10	16.56	16.92
Barclays O/S Inv. 5 90	0¼	98	98½	13/12	9⅝	9.80
Bergen Bk. A/S 6 89	‡0¼	97	97½	29/8	10	10.28
Bque. Indo Suez 5¼ 89	0¼	98⅛	98⅝	11/7	14.69	14.86
Citicorp O/S F. 6 94	‡0¼	98⅝	99⅛	8/9	10⅛	10.23
Citicorp O/S F. 83	§‡0	99⅝	99⅞	23/8	10.19	10.24
Citicorp O/S F 84	‡0	98⅛	98⅝	30/8	9.81	9.98
C. Itoh 5¼ 87	0¼	101	101½	18/9	19.44	19.20
Co-operative Bk. 6 86	0¼	98⅛	98⅝	15/11	11.44	11.61
Creditanstalt 5½ 91	§‡0⅛	97½	98	14/9	9.44	9.65
CNT 5¼ 86	§0⅛	101½	102	16/10	18⅛	17.81
GZB 5½ 89	‡0⅛	98½	99	1/8	15⅛	15.44
Jugobanka 8 89	0⅞	90	92	23/11	11⅜	12.77
Ind. Bank Japan 5¾ 87	0¼	101¼	101¾	15/10	18⅝	18.47
LTCB Japan 5¾ 86	0¼	98½	99	13/12	9⅝	9.75
LTCB Japan 5½ 89	0¼	98½	99	7/12	10⅛	10.25
Mfrs. Han. O/S 5¼ 94	‡0¼	97¾	98¼	31/8	9⅞	10.08
Midland Intl. Fin. 5 89	0¼	99⅞	100⅛	20/12	9½	9.50
Midland Intl. Fin. 5¼ 92	0¼	98	98½	5/12	10⅞	10.96
Nacional Fin. 6¾ 86	0¼	98⅛	98⅝	25/7	14.69	14.91
Nat. West. 5¼ 94	§0⅛	101	101½	11/10	18⅝	18.40
Nippon Credit 6½ 86	0⅛	97⅛	98⅛	12/7	14.44	14.73
Nippon Credit 5¾ 87	‡0¼	†97⅛	98⅛	6/8	14⅝	14.97
Royal Bk. Scot. 5¾ 94	§‡0¼	98⅛	99⅛	11/7	19⅝	19.72
Soc. C. de Bque. 6½ 87	0¼	100⅝	101⅛	3/10	20.06	19.89
Sogenal 5½ 89	§0⅛	†96	98½	13/7	14.44	14.70
Standard Chart. 5¼ 90	0¼	101⅛	102⅛	6/8	17⅛	16.88
Sweden 8¼ 91	‡0¼	97	97½	16/10	18⅝	19.15
Williams & Glyn 5¼ 91	0¼	100⅛	101	14/8	18⅝	18.35
Bq. E. d'Alg. 4¾ 89 SF	0⅛	88⅝	89⅛	18/12	6⅛	6.92

Average price changes .. On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible] 7¾ 89	10/79	745	†120	121	+2¼	−2.22
Ajinomoto 7¾ 96	2/80	516.5	108¼	109¼	+0⅛	−0.78
Alco Int. Fin. 9½ 94	1/80	40	94⅛	95½	+0⅛	31.41
Apache [illegible]		31.66	109⅛	110½	−0½	48.82
Asahi Optical 7 94	11/79	526.1	105⅞	106⅞	−0½	−3.41
Canon 6¾ 94	8/79	570	114⅛	115⅜	−0⅛	−0.72
Credit Suisse 4¾ 93	10/79	1278	100⅞	102⅛	−0⅛	−3.17
Daiei Inc. 6½ 94	11/79	927.3	99⅛	100½	−0⅛	19.40
DDKK 11 90	4/80	324	113⅛	114⅛	−0⅛	7.83
Dynalectron 9½ 95	8/80	12.22	104½	106	+0⅛	−1.06
Enserch Fin. 9½ 94	7/80	30.25	113½	114½	+0⅛	5.71
LPC Internatnl. 8 89	9/78	23.33	†102½	104	0	16.76
Meidensha Elec. 7 94	12/79	210	100⅛	101⅛	+0⅛	9.38
Mitsubishi Co. 6½ 94	10/79	549.1	129	130½	−1	2.78
Nippon Seiko 7¾ 94	12/79	339	†110¼	111¼	0	4.80
Nitto Elec. Ind. 6 94	7/79	735	88½	89½	+1⅛	7.70
Toshiba Cpn. 7¾ 94	10/79	198	102⅛	103⅛	−0⅛	−2.09
Union Bk. Switz. 5 89	2/80	121.4	99½	100½	+0⅛	4.91
Fujitsu 5 84 DM	7/79	476	105⅞	106⅛	+0⅛	4.18
Kansai Elec. 4 84 DM	4/79	1234	87⅛	88⅛	0	32.86
Uny Co. 6½ 85 DM	11/79	1071	96⅛	97⅛	0	25.14

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Unilever in talks to sell cocoa offshoot

By Our Amsterdam Correspondent

UNILEVER, the Anglo-Dutch food, detergents and consumer products group, is discussing the sale of Bensdorp, a subsidiary which makes cocoa and chocolate products, to the French group, Cacao Barry.

In a separate development, Unilever said that a dispute with Emery Industries of the U.S. over the two companies' joint subsidiary, Unilever-Emery, would lead to changes in the co-operation agreement between the two.

Unilever and Barry have begun preliminary discussions aimed at the acquisition by Barry of Bensdorp's operations in Bussum, in the Netherlands. It is not yet certain whether agreement will be reached. The workforce and trade unions have been informed of the talks.

Two Bensdorp companies in Kleef, West Germany, and Vienna are not involved. Bensdorp has a workforce of 250 in the Netherlands.

Barry is one of the largest cocoa processors in the world, with plants in France, Belgium, Italy, the U.S., Brazil and West Africa.

The long-term future of the Bussum factory, which makes industrial cocoa products, will be adversely affected by the tendency for producer countries to set up their own processing plants.

Unilever and Emery Industries have been unable to solve their differences of opinion within the present co-operation framework. So they are now seeking to change the form of their agreement. In a statement, Unilever pointed out that Emery was acquired in May 1978 by National Distillers and Chemical Corporation of the U.S., apparently suggesting that this might be the reason for the dispute.

Unilever-Emery makes and sells more than 300 fatty acid-based oil chemicals. It exports 75 per cent of its annual sales of Fl 210m ($105m) and has a workforce of 650.

Turnround at Norwegian Elf Aquitaine

By Fay Gjester in Oslo

ELF AQUITAINE Norge, the Norwegian offshoot of the French oil group, reports pre-tax profits of NKr 990m ($204m) for 1979, compared with a deficit of nearly NKr 3m.

Operating income reached NKr 3.2bn, compared with NKr 1.9bn in 1978. The increase partly reflects last year's steep rise in the prices of oil and gas. Other factors were the start of production on two fields in which Elf has stakes—the Frigg gas field, phase two, and the Tor oil and gas fields.

Danish brewer lifts turnover

By Our Financial Staff

INCREASED sales but reduced profits are reported by the United Breweries group of Denmark for the six months ended March, 1980.

Turnover is 15 per cent higher, adjusting for the disposal of a subsidiary. Profits, however, are lower, largely as a result of special promotional costs outside Denmark and the impact of additional start-up expenditure at a number of new plants.

For the whole of the current year United Breweries expects profits to be at least maintained at the level of 1978-79.

Dutch retailer in mail order takeover talks

BY CHARLES BATCHELOR IN AMSTERDAM

DUTCH RETAILER, Vroom en Dreesmann (V en D) is holding takeover talks with a group of European mail order companies. The negotiations are expected to be completed within a few weeks, a spokesman for V en D said yesterday.

The compaines involved are Keurkoop in the Netherlands, Concordia Mail of Belgium, Inter-Selection of France and Kurfuerst of West Germany, Austria and Switzerland. A Dutch publisher, Lekturama, as well as two educational companies in the Netherlands and Belgium are also taking part in the talks. Together they employ a workforce of nearly 1,250.

The companies operate independently but have a co-ordination office in Rotterdam which is handling the negotiations. V en D declined to reveal any of the financial detail involved in a possible takeover or the turnover of the companies. They operate at a profit, though, the spokesman said.

Mail order is a new activity for V en D, which has been expanding rapidly out of conventional retailing and into the service sector over the past few years. The company reported a rise in sales and profit levels for last year, though the rate of increase slowed.

Operating profit was 8 per cent higher at Fl 267m ($138m) on sales which were 16 per cent up at Fl 6.5bn ($3.35bn). Pre-tax profit was an unchanged Fl 142m. After-tax profit was 12 per cent higher at Fl 112m on an historical cost basis.

On the basis of replacement costs pre-tax profit fell 5 per cent to Fl 111m, although the after-tax profit was 10 per cent higher at Fl 95m. The return on shareholders' equity fell to 11 per cent from 13 per cent.

Operating profit this year is expected to be maintained, though the result of individual divisions will vary sharply. V en D's foreign activities will play an increasing role. The economic decline in the U.S. will have only a limited effect on trading, since they are based in the relatively less vulnerable States.

V en D plans a further expansion in the U.S., in Brazil and in the Far East. It foresees growth in both Japan, where it recently announced links with a local retailing group.

● Yesterday's tender in six-month promissory notes raised Fl 317.2m nominal at a discount of 10 per cent, the Dutch Treasury said. The issue, the first of its kind for seven years, provides a yield of 10.57 per cent.

SIR threatens to shut plants

BY PAUL BETTS IN ROME

THE ITALIAN chemical group, Societa Italiana Resine (SIR), which is on the verge of financial collapse, said yesterday that it proposed to shut down operations at all its plants before the end of this month.

In a letter to Sig. Francesco Cossiga, the Prime Minister, and to Italian economics ministers, SIR, Italy's third largest chemical concern, said that it could no longer pay the June wages of its employees. Moreover, it could not buy the necessary raw materials or pay for essential services to operate its plants.

Unless the authorities intervened promptly, the company warned it would have to close down its plants.

SIR, which has been involved in a complex rescue programme for the past 18 months, owns several major plants in the depressed island of Sardinia. A total shutdown would have major repercussions on employment in one of the poorest regions of Italy.

SIR's announcement, which immediately provoked angry reactions from the trade unions, comes only days after the chemical group reported overall losses of L847bn ($1.1bn) for 1979. It underlines the mounting crisis now afflicting the Italian chemical industry as a whole.

The Government is now expected to introduce wide-ranging measures to reorganise the troubled chemical industry. These are likely to include giving Ente Nazionale Idrocarburi (ENI), the state hydrocarbons group, control of the industrial activities of SIR and Liquichimica, another ailing chemical company.

ENI was called some years ago to enter into a salvage operation to rescue a number of subsidiaries of the now dismantled Italian state minerals agency, EGAM. The rescue proposals for the chemical industry, however, are at the centre of a fierce debate between Cabinet ministers and rival political factions.

● Sit-Siemens, the Italian telecommunications company, has told the FLM metalworkers' union that it plans to lay off 20,000 of its 30,000 workers for periods of four to 23 weeks starting in September because of a sharp cut in investments by state telephone company SIP, according to the union, Reuter reports from Milan. Last week, a group of companies in the sector told the Government they would seek approval to lay off around 30,000 workers for an indefinite period because of lower orders from SIP.

Enka improves five-month sales

BY OUR FINANCIAL STAFF

A MODEST rise in sales has helped Enka, the fibres division of the Dutch chemical group, Akzo, to keep its profit and loss account in balance for the first five months of 1980.

Sales for the five months have risen by 5 per cent to Fl 1.7bn ($880m), shareholders were told at the annual meeting in Wuppertal. For 1979 Enka reported a net profit of Fl 33m on sales which totalled Fl 3.7bn.

Enka has recently reached agreement in principle for the Dutch Government to inject Fl 150m into its plant at Emmen. The money will be used to modernise and restructure the factory.

The European operations were hit by a rise in costs, but group results so far this year were "favourably influenced" by the unconsolidated Latin American and Indian operations. Chemical fibre exports in the five months were 6 per cent lower at 174,000 tonnes, because of a fall in Enka Glanzstoff activities and at its Spanish operation, La Seda de Barcelona.

The company felt unable to give second half prospects because of uncertainty over the length of this summer's lull in demand and the timing and degree of the expected autumn recovery. A sales fall in the textiles sector was already noticeable and the West German textile industry expected a "marked cooling" in the second half of 1980. A crisis still faced European synthetic fibre manufacturers as a result of increasing chemical fibre imports from the U.S. and increasing imports of finished textile goods from non-EEC countries.

● Shell Nederland Chemie expects to show a loss this year following depressed sales, having made a profit last year of over Fl 100m. A downturn in the motor, textile and building industries has affected sales.

Cheap chemical imports from the U.S. and heavy costs related to the start-up of new plant is also putting pressure on the company's results. However, the chemical activities operated around the breakeven point in the first quarter.

As for the refineries, their financial results in the second quarter will be less favourable than in the first.

Amev to raise Fl 116m

BY ERIC SHORT

THE one-for-five rights issue proposed by Amev, the Dutch insurance group, is being made at a price of Fl 77.50 per share to raise around Fl 116m ($60m).

The issue is being underwritten by a syndicate of Dutch banks, managed by Pierson, Heldring and Pierson in association with the UK merchant banking group, J. Henry Schroder Wagg. Schroder Wagg, in conjunction with Cazenove, is making arrangements to place a substantial part of its sub-underwriting commitment with UK institutional investors.

Amev, the second largest Dutch insurance group, is seeking to expand its shareholdings outside the Netherlands. It has recently held two presentation meetings in the UK for stockbrokers and institutional investment managers.

Earlier this month, another major Dutch insurance group, Ennia, placed 200,000 shares in the UK out of a total of 270,000, raising £6m, and obtained a London quotation.

Hapag-Lloyd forecasts better year

By Our Financial Staff

A MORE balanced result is promised for 1980 by Hapag-Lloyd, the West German travel and shipping group whose profits last year fell sharply to DM 3.6m ($2.04m) from DM 15.1m.

Developments in the first few months of this year have justified these expectations, the company said yesterday. Hapag is not paying a dividend for 1979 having cut its payment by DM 1.5 to DM 3 a share for 1978.

Hapag said it expected increasing competition this year in its liner operations, after a 7 per cent increase in tonnage in 1979 to 8.20m tonnes. But better results were expected in the dry cargo sector.

Tanker activities will again be disappointing. The ship repair, shipyard and harbour services operations have a "real chance" of improving results in 1980.

Swiss bank issue

Credit Suisse, one of the big three Swiss commercial banks, plans to raise SwFr 160m through the issue of a convertible bond on the Swiss capital market, Our Financial Staff writes. The bond will be for 10 years and carry a coupon of 4¼ per cent. It will be priced at par and subscriptions have to be in by July 4. When first mooted for the Swiss market earlier this month the funding was expected to raise SwFr 150m.

French utility scrip

Cie Generale des Eaux, the French water utility, intends to make a scrip issue later this year or early in 1981, AP-Dow Jones reports from Paris. Terms have not yet been fixed, but by increasing its capital by between FFr 300m and FFr 400m ($75m-$100m) the company intends to give itself "a sufficiently broad base" to carry out internal development and acquisitions, both in France and abroad.

First half earnings surge ahead at Olympus Optical

BY YOYO SHIBATA IN TOKYO

OLYMPUS OPTICAL, the Japanese optical instrument manufacturer, chalked up record earnings for the first half ended April.

Operating profits surged by 90.7 per cent to Y7.5bn ($34.9m), and net profits rose by 84.4 per cent to Y3.7bn. Per share profits rose to Y35.60 from Y21.78 a year earlier.

Sales were Y46.9bn ($21bn) up 32.2 per cent, and exports rose by 41.5 per cent to Y32.4bn to account for 69 per cent of total turnover. Cameras accounted for 51.8 per cent (up 47 per cent) of total sales, medical instruments 16.3 per cent (up 59 per cent) and microscopes for 27.9 per cent (up 24 per cent).

The yen's depreciation in the half year generated Y4bn of exchange gains.

For the current fiscal year, ending October, Olympus expects operating profits to be a record Y14bn, up 33 per cent, net profits Y6.5bn, up 33 per cent, and sales Y96bn, up 18 per cent.

The company plans to increase its interim dividend to Y4.5 a share from Y3.75.

* * *

OKUMA MACHINERY Works, one of Japan's big-five machine tool makers, is to offer 8.4m shares of common stock represented by European Depositary Receipts (EDRS) through an international selling group. The group will be managed by Nomura Europe and Morgan Grenfell and Co., who will underwrite the full amount of the issue.

The EDR's will be issued by Citibank, N.A. as the depositary, initially in the denomination of 10,000 shares, and will be priced in U.S. dollars at a level representing a discount on the closing price of the ordinary shares on the Tokyo Stock Exchange on, or immediately ahead of July 1. Last night, the shares closed at Y645.

Pao rejects general bid for Wharf

By Our Hong Kong Correspondent

HONG KONG's voluntary takeover code was put to the test yesterday when Sir Yue-Kong Pao, the shipping magnate, announced that "at this stage" his World International group would not make a general bid for the issued share capital of Hong Kong and Kowloon Wharf.

The announcement came after the close of the stockmarket and one day after the Committee on Takeovers and Mergers had told Sir Yue-kong he should bid for the 51 per cent of Wharf that will still be outstanding after he has increased his stake to 49 per cent on Monday, from 30 per cent at a cost of just over HK$2bn (over U.S.$400m).

Following Sir Yue-kong's statement, issued through Wardley, the merchant bank, Hongkong Land announced that its rival bid to acquire 49 per cent of Wharf had lapsed, and the Committee on Takeovers said it would meet again today.

The takeover code here is voluntary and it specifies that a 50 per cent shareholding is proof that control has been acquired. However, the committee pointed out on Monday that control could be acquired with less than half the shares since "other factors may be taken into account."

Wardley claimed on behalf of Sir Yue-kong that the status quo was under threat from Hongkong Land's proposal and added: "It is not Sir Y. K. Pao's intention at this stage to make a general offer for the outstanding shares of Wharf."

Earlier Wardley had announced that the Pao offer had been oversubscribed, with double the number of acceptances required.

Wardley said that payment in cash had been completed. Most acceptances came from small shareholders. A bank official declined to say whether any of the acceptances had come from Hongkong Land.

The Hongkong Land admission of defeat said that its offer had been made subject to certain conditions, one of which was that no other offer was made.

World International, the company through which he made his bid, was down 17.5 cents at HK$4.075, while Hongkong Land was unchanged at HK$ 12.80. Wharf remained suspended.

Kyoto Ceramic doubles profit

BY OUR FINANCIAL STAFF

KYOTO CERAMIC COMPANY, the Japanese manufacturer of ceramic products for the electronics industry, more than doubled its consolidated net profits in the year to March 31, to Y14.49bn ($66.8m), from Y7.11bn in the previous year. Per share profit was Y201.31, against Y106.57.

Sales increased by 92.2 per cent to Y114.16bn ($526m), with the number of subsidiaries included in the results having risen to 14, from eight in the previous year.

Kyoto Ceramic attributed the sharp improvement in the results partly to a steep increase in earnings at its U.S. subsidiary, Kyocera International, arising mainly from sales of integrated circuit (IC) packages.

The performance was aided by the addition of Cybernet Inc of Japan and its affiliates, taken over by the company last year. These manufacture electronic devices, and their consolidated sales last year amounted to Y11.91bn, accounting for 10.4 per cent of Kyoto Ceramic's overall consolidated sales.

The company expects net income on a consolidated basis in the year ending March next year to rise to Y17.10bn on sales of Y150bn.

Philippines loan plan confirmed

BY LEO P. GONZAGA IN MANILA

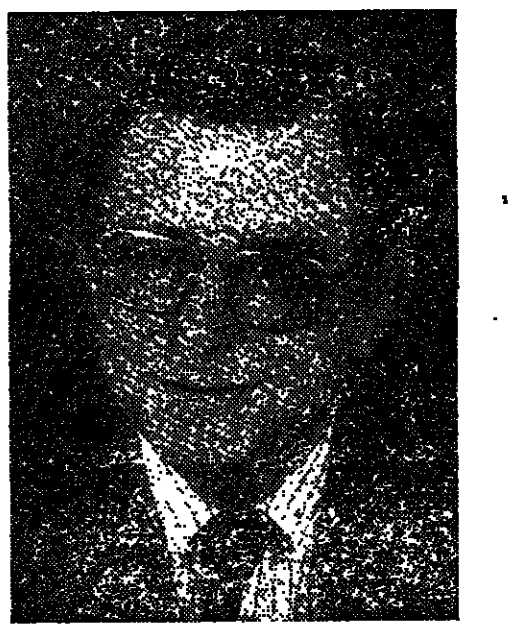
THE PHILIPPINES Central Bank has confirmed that it is to return to the international capital markets for a further $100m as part of its 1980 foreign borrowing programme.

Mr. Gabriel Singson, the senior deputy governor at the bank, said the decision reflected the recent downward trend in foreign interest rates and a consequent increase in demand for loans among domestic users of the funds raised under the bank's programme.

Under last year's programme a syndicated loan of $500m was organised, but in February this year a similar sized credit was abandoned in favour of a $200m club deal because of rising interest rates.

The $200m 10-year credit included a ½ point spread over the London interbank offered rate, a half per cent commitment fee and a ¼ per cent participatory fee and Mr. Singson is confident of winning the same terms, except for maturity, on the current $100m proposal.

He said that at least seven banks, one of them Arab, had offered to participate in the latest credit. He pointed out that 10-year money was not now readily available.



Mining dominates export-led boom

The following is an abridged version of the address by Mr. D. A. Etheredge, President of the Chamber of Mines of South Africa, at the 90th Annual General Meeting of the Chamber in Johannesburg on 24th June, 1980:

The value of South African mineral sales, including gold, increased by 42.1 per cent in 1979 to total R9 768 million, while mineral exports increased by 45.5 per cent to total R8 500 million.

The mining industry's share, including processed minerals, of total South African exports rose from about 68 per cent in 1978 to approximately 73 per cent last year, reflecting one facet of the resurgence of mining as the dominant factor in the national economy.

While some minerals performed more spectacularly than others, sales of practically all our minerals increased appreciably in value last year and some, notably coal, iron ore and manganese, increased in volume as well. The individual roll-call is impressive, with the value of gold sales up 49,8 per cent, silver 103.3 per cent, diamonds 22.8 per cent, antimony concentrates 98.8 per cent, coal 30,8 per cent, copper 40 per cent, fluorspar 29.6 per cent, iron ore 33,7 per cent, manganese 52,1 per cent and a range of other minerals, including uranium and platinum, up 38,9 per cent.

COAL

World demand for coal increased sooner than most projections had indicated, due, among other things, to the unexpected speed at which some countries were able to convert from oil to coal for part of their energy needs.

Two new coal mines were opened in the course of the year. Contracts which will lead to the development of a further three mines to supply new power stations were awarded by the Electricity Supply Commission. In addition two mining groups announced that they were examining the possibility of producing liquid fuel from coal.

URANIUM

The production of uranium oxide continued to rise substantially during 1979 as members of the Nuclear Fuels Corporation, the Chamber's uranium marketing organization, increased their combined output of uranium oxide by approximately 1 000 tonnes to 5 540 tonnes. This is 22 per cent above production in the previous year.

In the past year we have seen a continued decline in the world demand for uranium with a resulting weakening of the price. It is impossible to foretell how long this position will continue. Nevertheless, in company with many others who are concerned with securing the world's future energy needs, we continue to place our confidence in nuclear power as an expanding source of energy. I have no doubt that the steps which the industry has taken to expand production and to maintain our position as one of the world's major suppliers of uranium will in due course be fully justified. Meanwhile the industry—consisting for the most part of by-product producers—is better placed than most to withstand the present weak state of the uranium market.

THE GOLD MARKET

The substantial increase in the gold price had an adverse effect on the demand for gold used in the fabrication of jewellery. Gold usage in this area declined from 1 007 tons in 1978 to 737 tons in 1979, once again reflecting a price-elastic response to the higher gold price.

In view of the importance of the demand for gold by the jewellery industry it is considered that every effort should be made to ensure that the new price levels do not lead to a further drop in quantity of gold used in jewellery fabrication. It was decided therefore that the Chamber's gold promotion and marketing arm, the International Gold Corporation, should take steps to assist the gold jewellery industry.

Although the substantially higher gold price has affected the volume of Kruggerand sales which fell from just over 6 million coins in 1978 to just under 5 million in 1979, it is reassuring to note that the revenue earned from Krugerrand sales continues to increase, the 1979 figure at R1 330 million being R 286 million more than the 1978 total of R1 044 million.

There is no doubt that at the current gold price the Kruggerand is beyond the reach of many people and that it is no longer able to fulfil one of its most important objectives, namely that of providing the man in the street with an easily attainable and affordable vehicle to own gold. The Chamber therefore decided, and the Government agreed, to add to the present range of three other gold coins containing, respectively, one half, one quarter and one tenth of an ounce of gold. All three will be legal tender coins with no face value and we expect them to be available towards the end of 1980.

The major growth in demand for gold in 1979 was due to increasing speculative and investment interest. The poor economic performance of the major countries and of various investment assets caused a shift of investor preference to investment in gold and other commodities as a proportion of balanced portfolios.

Uncomfortably high levels of inflation, the relative weakness of the United States dollar and economic uncertainty about the availability and price of oil together with political disturbances in several areas of the world contributed to the investor demand for gold. A particularly important element was the growing desire of large holders of U.S. dollars to diversify a portion of their holdings into other investments. While the rapid rise in the gold price in late 1979 largely reflected this type of demand, speculative activity in mid-January 1980 reached unprecedented heights, forcing the gold price to $850 an ounce.

The subsequent decline in the price was encouraged by increased U.S. interest rates, the financial problems encountered by speculative operators in the gold and other precious metals markets, the increasing amount of physical metal dishoarded on to the markets by profit-takers, and the growing realization that the U.S. economy was moving into a recessionary phase.

After some consolidation around $500 the price recently showed renewed activity. I expect that the gold price will continue to be affected by the various factors I have mentioned and that consequently it will remain a barometer of the world's economic and political problems.

The past year was marked by signs that the de facto remonetization of gold is continuing. For example, the activity of central banks in the gold markets has become more pronounced as a result of the desire to transfer at least a portion of assets from U.S. dollar holdings. A growing number of central banks have effectively remobilized their gold reserves by revaluing them at market related prices and gold is increasingly being used as collateral for international loans. Furthermore gold sales, of which the United States gold auctions are the major example, have been arranged for balance of payments purposes or to support currencies; and national gold reserves have been used for the minting of official gold coins, as in the case of Canada.

The remonetization of gold is further illustrated by the fact that the gold reserves held by central banks and official monetary institutions now exceed in value the official foreign exchange reserves held by these bodies. Gold has clearly reassumed its role as the most important international reserve asset. Some indication of the future role for gold within the international monetary system has been provided by the use of the pooled gold reserves in the European Monetary System and by the suggestions that gold be used in the proposed I.M.F. substitution account.

SAFETY

Encouraging news in the field of safety is that in spite of significantly increased mining activity, the steady reduction in the reportable injury rate has been maintained. Despite a marginal increase in the fatality rate for coal mines, the casualty rates, which embrace fatalities and reportable injuries, in respect of all classes of the Chamber's member mines, reached their lowest levels ever in 1979.

Three of our gold mines, namely President Brand, Western Areas and President Steyn, were awarded the maximum of five stars in terms of the International Mine Safety Rating scheme. A further two gold mines, Elandsrand and Randfontein Estates, and two platinum mines, Wildebeestfontein North and Bafokeng South, achieved creditable four-star ratings.

So far as is known, no participating mines in other countries have achieved more than three-star status under the scheme which sets standards for safety work and measures the adherence to these standards.

LABOUR

It is now generally acknowledged that South Africa's capacity for economic expansion and growth is limited by a major physical constraint, namely the acute shortage of skilled and professional manpower. The tragedy is that this situation is found in a country with immense manpower reserves.

The problems of the mining industry cannot be overstated. Between the fourth quarter of last year and the end of the first quarter of this year the shortage of all categories of skilled personnel among the Chamber's member mines increased from about 1 000 to about 1 600. This shortfall is nearly equivalent to the entire complement of skilled personnel required to man two medium-sized gold mines employing perhaps 20 000 people.

The average number of all employees on gold and coal mines, members of the Chamber, increased from 497 000 in 1977 to 514 000 in 1978 and to 527 000 in 1979, reflecting the increased activity in mining. This trend in employment will continue as new mining projects, some already announced and others still being evaluated, reach the development stage.

The enhanced ability of the industry to offer employment in a sub-continent where population growth is fast outstripping the provision of job opportunities is clearly of enormous importance, especially to those countries and territories in the region which have little employment potential outside of subsistence agriculture.

THE OUTLOOK

South Africa is experiencing an export-led boom with mining playing the predominant role. There has also been a return of business confidence inspired to a large extent by hope of a progressive abandonment of outdated political philosophies and practices. It is important to secure these twin bases of the present economic revival.

It is vital firstly to maintain a vigilant watch on cost increases. Secondly, South Africa must reinforce the image it has established as a reliable supplier of minerals.

Finally, the State must create a framework to assist future mining development if the industry is to continue to maintain its position in world markets and ensure that the economy progresses at a rate which will permit the aspirations of all sectors of the population to be satisfied. This calls for the creation of conditions that will attract substantial capital investment and in particular an educational system that will produce the human skills required to carry out the new projects.

The full text of this address may be obtained from the General Manager, Chamber of Mines of South Africa, 5 Hollard Street, Johannesburg, 2001.

CM

No obligation to observe listing rules, says court

BY JAMES FORTH IN SYDNEY

THE New South Wales Supreme Court has found that listed companies are under no obligation to comply with the listing requirements of Australian stock exchanges. This follows a decision in April in the Victorian Supreme Court that the listing requirements did not apply to unlisted companies, even where their actions affected listed companies. The decision came from one of the legal battles which have arisen out of the struggle for control of the NSW coal group, White Industries.

Design Build Australia, a company associated with Mr. G. R. White, the chairman of White, took action against Endeavour Resources, a member of the Bond group of companies, which claims to hold 43.5 per cent of White's capital and is seeking control with a partial takeover bid. It obtained injunctions in the NSW Supreme Court preventing Endeavour from dealing in or registering shares, and restraining Sydney Stock Exchange from listing the shares. Design Build claimed there had been breaches of the exchange listing requirements on takeovers, relating to acting in concert. Endeavour sought the removal of the injunctions on the grounds that companies which have their shares listed on an exchange have no obligation to comply with the listing requirements.

Mr. Justice Powell ruled this week in the Equity court, a division of the NSW Supreme Court, that the Securities Industry Act contained no obligation to comply. For there to be an obligation to comply it would need to be imposed in the application forms for listing, but it was not. Mr. Justice Powell dissolved the injunctions but ordered a stay until Friday to allow for any appeal.

The ruling throws doubt on the right to suspend trading or de-list shares, which would be a powerful deterrent in many cases. Moreover, the proposed new National Securities Industry Act which is scheduled to be adopted by all states later this year contains a section which specifically states that if a company's shares are listed on an exchange, then the company is under an obligation to comply with the listing requirements.

CURRENCIES, MONEY and GOLD

Dollar steady

The dollar improved slightly in very quiet foreign exchange trading, showing little reaction to the U.S. consumer price index for May. It rose to DM 1.7690 from DM 1.7670 against the D-mark, and to SwFr 1.6375 from SwFr 1.6335 in terms of the Swiss franc. The dollar's trade-weighted index, on Bank of England figures, rose to 83.4 from 83.3.

Sterling's index fell to 73.7 from 73.8, after opening at 73.8, and easing to 73.7 at noon. The pound declined on continued fears of a cut in Bank of England Minimum Lending Rate. It opened at $2.3365-2.3375, and touched $2.3375-2.3385, falling to $2.3335-2.3345, before closing at $2.3355-2.3365, a fall of 60 points on the day.

D-MARK — Slightly weaker within the European Monetary System recently, but showing a firmer tendency against the dollar following a sharp narrowing of Euro-currency interest rate differentials—The D-mark eased against the French franc and Danish krone at the Frankfurt fixing, but improved slightly against most other members of the EMS. The French currency rose to DM 43.09 per 100 francs from DM 43.075, and the krone to DM 32.26 per 100 krone from DM 32.23. The Belgian franc was unchanged at DM 6.249 per 100 francs, while the Dutch guilder eased to DM 91.25 per 100 guilders from DM 91.265, and the Italian lira to DM 2.113 per L1,000 from DM 2.115. The dollar rose to DM 1.7684 from DM 1.7660, and there was no intervention by the Bundesbank at the fixing.

ITALIAN LIRA—Weakest member of EMS, after rising to the top of the system in February, and remaining firm for most of last year—The lira was generally weak at the Milan fixing, losing ground to the French franc, D-mark, Danish krone, and Irish punt. It was little changed against sterling at L1,955.20 compared with L1,955.25, but the dollar improved to L837.05 from L835.05.

DUTCH GUILDER—Very firm near the top of EMS, despite recent cut in the Dutch central bank discount rate—The guilder showed mixed changes at the Amsterdam fixing. The French franc rose slightly to DFl 47.20 per 100 francs from DFl 47.18, while the D-mark eased to DFl 1.09615 from DFl 1.0963. The dollar improved to DFl 1.9380 from DFl 1.9355, but sterling fell to DFl 4.5240 from DFl 4.5310.

DANISH KRONE—Steadier within the EMS recently following two devaluations in 1979—The krone lost ground against most major currencies at the Copenhagen fixing, and was generally mixed against EMS members. The French franc rose to DKr 1.3381 from DKr 1.3375, but the D-mark eased to DKr 3.1053 from DKr 3.1054. The Belgian franc was unchanged at DKr 19.41, and the Dutch guilder at DKr 2.8340. Outside the EMS, the dollar was fixed at DKr 5.5020, compared with DKr 5.4820, and sterling at DKr 12.8420 against DKr 12.8240.

JAPANESE YEN—Energy and balance of payments problems reflected in sharp decline last year. More recently lower U.S. interest rates have helped the yen recover—The yen eased slightly against the dollar, after the sharp gain on Monday following the Liberal Democratic Party's election victory. The dollar improved to Y216.875 from Y215.40, after touching a peak of Y216.90. Hopes of encouraging figures on U.S. consumer prices and trade this week helped the dollar in moderate Tokyo trading.

THE POUND SPOT AND FORWARD

June 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3335-2.3385	2.3355-2.3365	1.72-1.62c pm	8.58	4.22-4.12 pm	7.14
Canada	2.6830-2.6870	2.6850-2.6870	1.21-1.11c pm	5.18	3.40-3.30 pm	4.99
Nethlnd.	4.52-4.55½	4.52½-4.53½	3¼-2¼c pm	7.28	7⅞-6⅞ pm	6.07
Belgium	66.00-66.70	66.03-66.13	21-11c pm	2.90	45-35 pm	2.42
Denmark	12.80-12.87	12.80½-12.81½	¼ore pm-1 dis	−0.12	3½-5¼ dis	−1.40
Ireland	1.1000-1.1050	1.1017-1.1027	0.02p pm-0.02 dis	—	0.20-0.15 pm	0.63
W. Ger.	4.12-4.15	4.12¾-4.13¾	3½-2½pf pm	8.71	8¼-7¼ pm	7.50
Portugal	114.10-115.00	114.40-114.60	20c pm-10 dis	0.52	50pm-75dis	−0.44
Spain	163.70-164.25	163.95-164.05	25c pm-20 dis	0.18	35-90 dis	−1.52
Italy	1,953-1,961	1,956-1,957	4-8 lire dis	−3.07	15¾-17¾ dis	−3.42
Norway	11.33½-11.38	11.34¾-11.35¾	7¾-6¾ore pm	7.40	17½-15⅞ pm	5.88
France	9.58-9.63	9.59-9.60	4⅞-3⅞c pm	5.16	10¼-9¼ pm	4.06
Sweden	9.73-9.76½	9.73¾-9.74¾	4⅞-3⅞ore pm	4.93	6¼-5½ pm	2.44
Japan	504-508	505½-506½	2.05-1.70y pm	4.45	6.25-5.90 pm	4.80
Austria	29.30-29.50	29.30-29.35	19-15gro pm	6.96	48-41 pm	6.07
Switz.	3.81-3.84	3.82-3.83	4½-3½c pm	12.55	10⅞-9⅞ pm	10.85

Belgian rate is for convertible francs. Financial franc 66.75-66.85. Six-month forward dollar 6.65-6.60c pm, 12-month 9.50-9.40c pm.

THE DOLLAR SPOT AND FORWARD

June 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3335-2.3385	2.3355-2.3365	1.72-1.62c pm	8.58	4.22-4.12 pm	7.14
Ireland†	2.1135-2.1210	2.1180-2.1200	1.62-1.52c pm	8.89	4.18-4.08 pm	7.80
Canada	1.1490-1.1499	1.1491-1.1494	0.30-0.35c dis	−3.39	0.63-0.68dis	−2.28
Nethlnd.	1.9370-1.9420	1.9385-1.9400	0.24-0.34c dis	−1.79	0.47-0.57dis	−1.07
Belgium	28.28-28.38	28.28-28.30	13-15c dis	−5.94	32-35 dis	−4.73
Denmark	5.4795-5.4990	5.4860-5.4875	4-4½ore dis	−9.29	11¾-12¼ dis	−8.75
W. Ger.	1.7675-1.7740	1.7685-1.7695	par-0.10pf dis	−0.34	0.14-0.04 pm	0.20
Portugal	48.95-49.12	48.95-49.05	30-40c dis	−8.57	70-120 dis	−7.75
Spain	70.13-70.22	70.13-70.19	47-60c dis	−9.15	145-165 dis	−8.84
Italy	836.50-838.30	837.10-837.50	7½-8½ lire dis	−11.46	21-23 dis	−10.51
Norway	4.8570-4.8625	4.8595-4.8610	par-0.50ore dis	−0.62	0.60-1.10dis	−0.70
France	4.1030-4.1165	4.1070-4.1080	1.23-1.33c dis	−3.74	3.20-3.40dis	−3.21
Sweden	4.1685-4.1745	4.1715-4.1725	1.45-1.60ore dis	−4.39	5.00-5.15dis	−4.86
Japan	216.55-217.05	216.65-216.75	0.75-0.90y dis	−4.57	1.25-1.40dis	−2.44
Austria	12.56-12.59½	12.56-12.57	1.80-2.40gro dis	−2.00	3.00-4.75dis	−1.23
Switz.	1.6320-1.6390	1.6370-1.6380	0.58-0.50c pm	3.96	1.66-1.58 pm	3.96

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 24	Bank of England Index	Morgan Guaranty Changes%
Sterling	73.7	−32.2
U.S. dollar	83.4	−10.3
Canadian dollar	81.7	−16.1
Austrian schilling	156.6	+24.5
Belgian franc	116.9	+14.5
Danish kroner	107.4	−3.9
Deutsche mark	155.3	+44.3
Swiss franc	197.4	+78.7
Guilder	126.6	+19.6
French franc	101.6	−5.7
Lira	53.1	−51.1
Yen	131.0	+29.2

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

June 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.565075	0.608701
U.S. $	11	1.32284	1.42485
Canadian $	10.67	1.52087	1.63736
Austria Sch.	6¾	16.6122	17.8961
Belgian F.	14	37.4055	40.2911
Danish K	13	7.24718	7.80673
D'Mark	7½	2.33614	2.51628
Guilder	9½	2.56031	2.75850
French Fr.	9½	5.42464	5.84187
Lira	15	1104.57	1189.75
Yen	9	285.072	307.197
Norwgn. Kr.	9	6.41974	6.91122
Spanish Pts.	8	92.6795	99.8318
Swedish Kr.	10	6.50301	6.93092
Swiss Fr.	3	2.15623	2.32250

OTHER CURRENCIES

June 24	£	$		£ Note Rates
Argentina Peso	4300-4320	1843-1850	Austria	29.15-29.45
Australia Dollar	2.0180-2.0320	0.8645-0.8650	Belgium	66.20-66.80
Brazil Cruzeiro	119.85-120.85	51.445-51.645	Denmark	12.74-12.84
Finland Markka	8.504-8.512	3.6395-3.6410	France	9.52-9.56
Greek Drachma	100.088-102.352	42.75-42.95	Germany	4.10½-4.14
Hong Kong Dollar	11.48¼-11.50¼	4.9190-4.9210	Italy	1915-1970
Iran Rial	n/a	n a	Japan	505-510
Kuwait Dinar(KD)	0.620-0.626	0.2670-0.2671	Netherlands	4.51-4.54½
Luxembourg Frc.	66.03-66.13	28.28-28.30	Norway	11.30-11.39
Malaysia Dollar	4.9945-5.0045	2.1385-2.1405	Portugal	112-116½
New Zealand Dlr.	2.3625-2.3675	1.0120-1.0130	Spain	158¾-165¾
Saudi Arab. Riyal	7.74-7.80	3.3290-3.3310	Sweden	9.70-9.78
Singapore Dollar	4.9410-4.9610	2.1160-2.1180	Switzerland	3.80½-3.83½
Sth. African Rand	1.8035-1.8045	0.7720-0.7725	United States	2.35-2.339
U.A.E. Dirham	8.61-8.67	3.7010-3.7030	Yugoslavia	62½-67

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.2561	+1.17	+0.39	±1.53
Danish Krone	7.72336	7.80509	+1.06	+0.28	±1.64
German D-Mark	2.48208	2.51595	+1.36	+0.58	±1.125
French Franc	5.84700	5.84173	−0.09	−0.87	±1.3557
Dutch Guilder	2.74362	2.75768	+0.51	−0.27	±1.512
Irish Punt	0.668201	0.670466	+0.34	−0.44	±1.668
Italian Lira	1157.79	1190.82	+2.85	+2.58	±4.06

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 24	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.336	4.133	506.0	9.595	3.825	4.530	1955.	2.686	66.08
U.S. Dollar	0.428	1.	1.769	216.6	4.107	1.637	1.939	837.3	1.150	28.29
Deutschemark	0.242	0.565	1.	122.4	2.322	0.926	1.096	473.3	0.650	15.99
Japanese Yen 1,000	1.976	4.617	8.167	1000.	18.96	7.559	8.953	3866.	5.308	130.6
French Franc 10	1.042	2.435	4.307	527.4	10.	3.986	4.721	2039.	2.799	68.87
Swiss Franc	0.261	0.611	1.080	132.3	2.508	1.	1.184	511.4	0.702	17.28
Dutch Guilder	0.221	0.516	0.912	111.7	2.118	0.844	1.	431.8	0.593	14.59
Italian Lira 1,000	0.511	1.194	2.113	258.7	4.905	1.956	2.316	1000.	1.373	33.78
Canadian Dollar	0.372	0.870	1.539	188.4	3.572	1.424	1.687	728.2	1.	24.60
Belgian Franc 100	1.513	3.535	6.254	765.7	14.52	5.788	6.855	2960.	4.065	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 24)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 5/8	offer 9 7/16	bid 9 5/16	offer 9 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

June 24	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	18¼-18½	8⅞-9⅛	12½-14½	10⅜-10⅝	1-1¼	9¾-9⅞	12½-12¾	18-20	9 1/16-9 3/16	14¾-15¼
7 days' notice	17⅞-18⅛	8⅞-9⅛	12½-14½	10⅜-10⅝	5-5½	9 11/16-9 13/16	12½-12¾	21-24	12⅝-12⅞	15¾-16
Month	17½-17¾	9-9¼	12⅝-13	10½-10¾	5 11/16-5¾	9½-9⅝	12⅞-12⅝	20-21½	9 1/16-9 3/16	13¼-13½
Three months	16¾-17	9¼-9½	11 7/16-11 9/16	10⅜-10⅝	5⅝-5 11/16	9⅛-9¼	12⅜-12⅝	19½-20½	9 1/16-9 3/16	11⅞-12⅛
Six months	15¼-15½	9¼-9½	10½-10⅞	10¼-10½	5 7/16-5 9/16	8 11/16-8 13/16	12⅜-12⅝	19-20	9¼-9⅜	10¾-10⅞
One Year	14-14¼	9¼-9½	10⅛-10½	10-10¼	5-5⅛	8-8⅛	12½-12¾	18-19	9¼-9⅜	9¼-9⅜

Long-term Eurodollar two years 10¼-10½ per cent; three years 10⅜-10⅝ per cent; four years 10⅝-10⅞ per cent; five years 10¾-11 per cent; nominal closing rate. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 8.85-8.95 per cent; three-months 8.85-8.95 per cent; six-months 8.75-8.85 per cent; one year 8.80-8.90 per cent.

INTERNATIONAL MONEY MARKET

Rates fall again

Interest rates continued to show an easier tendency in most European centres yesterday. In Paris call money was quoted at 12¾ per cent compared with 12½ per cent on Monday, while period rates were unchanged. French inflation was slightly reduced after figures released yesterday for May, which showed a rise of 0.9 per cent in the retail prices index, compared with 1.2 per cent in April. This makes an annual rate of 13.66 per cent against 13.9 per cent.

In Frankfurt interbank money rates again showed little movement. Call money was slightly firmer at 9.95-10.10 per cent against 9.90-10.00 per cent, with little change in the longer periods. West German money supply figures for May showed a sharp increase of DM 4bn after a fall in M3 money supply in April of DM 3bn.

In Amsterdam the Dutch Finance Ministry accepted bids of Fl 317.2m for an issue of six-month Treasury notes at a discount rate of 10 per cent. This gives a yield of 10.57 per cent, with payment due tomorrow. In the interbank market call money eased to 10¼-10⅜ per cent from 10½-10⅝ per cent and six-month money was lower at 10½-10¼ per cent against 10⅜-10⅝ per cent on Monday.

Rates continued to show a softer tendency after last Friday's cut in the official bank rate to 9½ per cent from 10 per cent.

In Brussels the rate on four-month bond fund paper was cut by half a point to 14 per cent at the auction, following cuts earlier in the week on Treasury bill rates.

UK MONEY MARKET

Moderate shortage

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

Day to day credit remained in short supply in the London money market yesterday, and the authorities gave assistance on a moderate scale. This comprised small purchases of Treasury bills and local authority bills, all direct from discount houses, and small loans to two or three houses at MLR, for repayment today. The market was faced with the repayment of Monday's small advances, and a small net take up of Treasury bills to finance. On the other hand, banks brought forward balances some way above target.

Discount houses were paying around 16¾ per cent for secured call loans for much of the morning, with some later balances possibly taken as low as 15 per cent.

In the interbank market, overnight loans opened at 17¼-17¾ per cent and eased in stages down to 16½-16¾ per cent before coming back to 17-17½ during the afternoon. Late balances may have commanded up to 20 per cent.

GOLD

Late rise

Gold rose $8 to close at $603-606 on late demand in the London bullion market yesterday. Trading was very quiet for most of the day, with the metal opening at $599-602, and remaining around that level until the New York Market began. It was fixed at $599.75 in the morning, and $603.00 in the afternoon.

In Paris the 12½ kilo gold bar was fixed at FFr 79,850 per kilo ($604.97 per ounce) in the afternoon, compared with FFr 79,850 ($603.90) in the morning, and FFr 79,250 ($601.08) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 34,290 per kilo ($602.07 per ounce), compared with DM 33,940 ($598.02) previously, and finished at $602-605 against $595-598.

In Zurich gold closed at $602-605, compared with $595-598 on Monday.

	June 24		June 23	
Gold Bullion (fine ounce)				
Close	$603-606	(£258¼-259¾)	$595-598	(£254¼-254¾)
Opening	$599-602	(£256½-258)	$595-598	(£254-255½)
Morning fixing	$599.75	(£256.797)	$595	(£254.579)
Afternoon fixing	$603	(£258.023)	$595.50	(£254.697)
Gold Coins				
Krugerrand	$622½-625½	(£266½-268½)	$617-620	(£263¾-265¾)
Mapleleaf	$620½-623½	(£265¼-267¼)	$615-618	(£263-265)
New Sovereigns	$153-154	(£65½-66½)	$151½-152½	(£64¾-65¾)
King Sovs	$176-178	(£75¼-76¼)	$175-177	(£74¾-75¾)
Victoria Sovs	$176-178	(£75¼-76¼)	$175-177	(£74¾-75¾)
French 20s	$155-156		$155-158	
50 pesos Mexico	$743-747		$740-745	
100 Cor. Austria	$590-595		$588-593	
$20 Eagles	$702-705		$702-705	
$10 Eagles	—		—	
$5 Eagles	—		—	

MONEY RATES

NEW YORK

Prime Rate	11½-12
Fed. Funds	8½-8¾
Treasury Bills (13-week)	7.14
Treasury Bills (26-week)	7.18

GERMANY

Discount Rate	7.5
Overnight Rate	10.025
One month	9.975
Three months	9.875
Six months	9.225

FRANCE

Discount Rate	9.5
Overnight Rate	12.375
One month	12.4375
Three months	12.4375
Six months	12.0625

JAPAN

Discount Rate	9.0
Call (Unconditional)	12.625
Bills Discount (three-month)	—

LONDON MONEY RATES

June 24 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ϕ	Eligible Bank Bills ϕ	Fine Trade Bills ϕ
Over night	—	16½-20	—	—	—	—	15-17	—	—	—
2 days notice	—	—	17⅝-17⅝	—	—	—	—	—	—	—
7 days or 7 days notice	—	17⅝-17⅞	17½-17¾	—	18	18	16¾-17	—	—	—
One month	17¾-17⅝	17½-17⅝	17⅛-17⅝	18¼-18⅝	17⅞	18	16¾	15 13/16-15⅝	17 1/16	18
Two months	17 1/16-17	17 1/16-17 1/16	—	16¾-17¼	17 1/16	—	16⅝	15 23/32-15 11/16	16 11/16	17½
Three months	16⅞-16⅝	16⅞-17	16½-16⅞	16⅞-17¼	17⅛	17½	16-16⅛	15 21/32-15⅝	16 1/16	16¾
Six months	15½-15⅝	15 1/16-15 5/16	15¼-15⅝	15⅛-15⅝	15¾	16⅛	—	—	14½-14 11/16	15⅝
Nine months	14⅜-14	14⅛-14⅜	—	15⅛-15½	14 1/16	15¾	—	—	—	—
One Year	14-13⅞	14⅛-14⅜	13⅞-14¼	14⅛-14⅜	14⅛	15½	—	—	—	—
Two years	—	—	13⅞-14	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 13¾-13⅞ per cent; four years 13¾ per cent; five years 13¾ per cent. ϕBank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15 21/32 per cent; four-month trade bills 16¼ per cent.

Approximate selling rate for one-month Treasury bills 15 21/32-15½ per cent; two-months 15½-15 9/32 per cent; three-months 15 21/32 per cent. Approximate selling rates for one-month bank bills 17 3/16 per cent; two-months 16 13/16 per cent; three-months 16 3/32 per cent; one-month trade bills 17¾ per cent; two-months 17¼ per cent; and three-months 16½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17½ per cent from June 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 15.7338 per cent.

Icelandic fishermen face lay-offs

By Our Own Correspondent

THE BONANZA that Icelandic trawlermen have enjoyed since the last cod war four years ago may soon be over.

Although they still hope to land a large part of their catch in the UK, the fishermen face lay-offs for up to four months this year because of the Icelandic Government's attempts to conserve stocks.

Since the last cod war in 1976, Icelandic trawlers have been an important supplier of fish to the UK which has to import much of its needs now that the lucrative Icelandic fisheries are no longer open.

At the same time the British trawler industry has been in serious decline with trawlers laid up and many jobs lost.

There is also growing concern in Iceland that by supplying Britain. Icelandic fishermen are taking fish away from their own canning and processing plants.

Iceland sent 23,000 tonnes of fish to Britain last year but with the supplies dwindling from UK vessels, there has been a dramatic increase in imports.

Icelandic fishermen are now likely to feel the squeeze with marine biologists recommending a 300,000-tonne limit, although the Government budgeted for 400,000 tonnes.

Farmers' leader warns on use of field sites

A WARNING that Britain must stop squandering farmland, one of the nation's most important assets, was made yesterday by Mr. Richard Butler, president of the National Farmers' Union.

Farmland was too often taken without regard for longer-term consequences, for one form of development or another, he said in Doncaster, where he welcomed the chance of seeing for himself the impact which coal mining and opencast workings had had on farming.

The NFU was determined that the role of the farmer should be safeguarded.

"Every acre of reclaimable industrial dereliction must be harnessed before any further inroads are made into green field sites, which have a strategic importance in terms of food production capability," said Mr. Butler.

Unctad delegates try to overcome fund deadlock

BY BRIJ KHINDARIA IN GENEVA

DIFFERENCES between the U.S., backed by the EEC, and developing countries, and among the developing countries themselves, has brought the meeting here of the 101-nation UN Conference on Trade and Development (Unctad) to a virtual standstill

The meeting was convened to draft articles of agreement to operate the $750m fund established to help stabilise world commodity prices.

Delegates were yesterday locked in intensive bargaining following the decision to extend the conference's June 18 deadline until "such time as we have completed our work."

The conference is stuck on the problem of how to resolve the conflicting views of the U.S. and the developing nations over details of how the fund will operate, especially on the extent that governments will guarantee borrowing on world money markets to finance commodity price stabilisation schemes.

There are also radical differences of opinion among developing countries about the way in which the Unctad proposals should be implemented and the fund's role.

Most of the differences arise from the realisation of some poorer nations that they are themselves major commodity importers whose interests are similar to those of industrialised countries rather than those of commodity producing developing countries.

However, there is considerable optimism that a compromise can be reached. Diplomats said that they expect the main outline of the articles of agreement would be completed at this session and that a special committee would be given the task of agreeing on a final text to be submitted to a reconvened conference. Mr. Herbert Walker, the conference chairman, said that there was a "mood for a settlement" and that the "momentum is right."

Unctad has proposed that international agreements should be concluded for at least 18 commodities which provide large foreign exchange incomes for developing countries. Only six such accords exist so far.

The fund will be financed by direct contributions from governments, borrowing from international banks, and payments from separate international commodity agreements such as those for rubber, tin, sugar and various other metals.

The fund will be divided into two accounts. The first, containing $400m, will finance collection of commodity reserve stocks to be used to keep world prices within agreed floors and ceilings through the international commodity agreement. The second, containing $350m, will be used to finance research and development and export promotion schemes.

Coffee prices recoup earlier falls

BY OUR COMMODITIES STAFF

COFFEE PRICES rebounded in London yesterday, when robusta futures rose £75 to £1,556.5 a tonne, following a fall of £60.5 to £1,481.5 on Monday.

Dealers said good covering activity pushed values higher from the start in spite of earlier expectations of slightly lower levels based on New York's close.

They said buying seemed to be prompted by the view that the new producer group company, Pan Cafe which began trading yesterday, will act to support prices. However, producer activity was not identified in opening trade where the volume was boosted by around 1,200 cross trades.

The Brazilian national weather office in Rio de Janeiro has forecast stable temperatures in the main coffee growing areas over the next 24 hours.

The office said it expects slightly rising temperatures in Rio Grande do Sul. The critical period, when frost can damage the Brazilian crop, is expected in early July.

The world weather map showed a cold front, or belt of cloud and rain, moving across central Argentina.

Ugandan coffee production is expected to reach 137,000 tonnes in 1979/80, against 120,000 in 1978/79, Finance Minister Mr Lawrence Sebalu has forecast.

Mr Sebalu said production had been declining since the record crop of 198,600 tonnes in 1973/74.

Most of the existing trees were planted more than 20 years ago and the government will encourage the rehabilitation of the crop through replacing old trees by new plantings, and by continued price incentives for farmers.

The African Development Bank is expected to approve 75m shillings (£4.42m) to finance the rehabilitation of Uganda's coffee processing factories, and negotiations for this are almost complete, he added.

Australia limits USSR grain exports

CANBERRA—The Australian Government will limit total grain exports to the Soviet Union in 1980/81 to 3.9m tonnes, about the same as expected this year, Mr. Peter Nixon, Australia's Primary Industry Minister has said.

The Canberra Government would continue to require that permits be sought for all grain exports, he said. The decision had been taken with the concurrence of the U.S., which was itself allowing sales up to 8m tonnes under an agreement between it and the USSR Mr. Nixon added.

The federal government introduced controls on exports from the 1979/80 crops following an undertaking Australia would not pick up the shortfall created by the U.S. suspension of grain sales to the Soviet Union.

Australian grain sales to the Soviet Union this financial year are expected to total around 4m tonnes. Mr. Nixon said the 1980/81 limit on sales would be subject to review "in the light of future developments."

Reuter

FARMING IN THE COMMUNITY

A measure of efficiency

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

"THE EFFICIENCY of British agriculture," the latest report from the centre for agriculture strategy, suggests that there is a reasonably strong economic case for expanding UK agriculture production, but has found no evidence to support the view that the UK industry is the most efficient in Europe.

This last is directly contrary to the views most strongly held, not only by the NFU, but among what could be called the higher realms of the agricultural establishment generally.

It was this belief, ardently fostered by the pro-Marketeers which persuaded a large proportion of farmers to favour EEC entry. It was perpetuated, too, by anyone who while on holiday had watched peasants scratching for a livelihood on the marginal areas of Europe.

Intensive

But few holidaymakers spend much time in the northern plains of France, in the Low Countries, northern Germany or the Po Valley. There, some of the most intensive temperate farming in the world is practised, on some of the best land and in a most favourable climate.

Given equal skills, there is no doubt that those farming in those areas are at an advantage compared with a large proportion of British agriculture because their physical surroundings are better.

To take but one example: West Germany with roughly the same area of crops and grass as Britain, produces substantially more grain, sugar, milk, pigmeat and so on than does the UK. This is basically because of the physical efficiency of the land and climate resources.

But this is only one measurement of efficiency and the report underlines the difficulty of designing agricultural efficiency.

I have always believed that the best definition of an efficient farmer, is one who can survive in the circumstances of the time, paying his debts and maintaining his farm and his family. This is an important criterion, because it has a bearing on the competitiveness of the British farmer, *vis a vis* those on the Continent, particularly now that prices are roughly equal throughout the EEC except for Germany and Benelux.

Competition over a whole spectrum of commodities is slowly becoming freer.

The Milk Marketing Board has made a number of studies on milk production, notably in Ireland, Brittany and Holland. These have shown that farmers in the first two have a favourable financial efficiency factor (i.e., they make more money) over comparable British farmers. This is largely because they don't spend so much on compound feed, labour, machinery purchases and other investments.

In Holland the situation was rather different. Milk prices, thanks to the green pound level at that time were substantially higher. But very much larger quantities of compound were fed and the advantage of rather higher production was supported by the fact that very little labour was employed.

This underlines one of the main planks in the British farming efficiency claim, that of structure or size of farm. Because of the consequences of the Enclosure Acts and the cheap food policy loosely applied, British farms are the largest in Europe. The average size in 1977 was 49 hectares—double that of farms in France and Denmark.

This does lead to some efficiencies of scale, naturally enough. But the fact must be faced that scale beyond a certain point means that labour has to be employed and investment in machinery and building is necessarily high. These overheads can often nullify the deficits of structure, particularly when compared with family-run farms of a reasonable size, which many in Europe are now.

There is another point in which the benefits of structural superiority has a built-in weakness. In spite of all the flattering talk of the political strength of the NFU, British farmers are electorally very weak indeed, with only just over 2 per cent of the population involved. The influence of farming populations in other member countries is double, treble and even more, and is very much greater.

The quarrel over lamb with France is a case in point. There is no question that in terms of productive efficiency on the grounds of skill, scale, climate and cost, British sheep farming is superior to the French, probably the most efficient in every way compared with any in Europe.

Political strength

But, according to an answer in the European Parliament, there are 180,000 individual sheep flocks in France, concentrated in the south and south west. This has given sheep farmers a political strength which successive French Governments have been forced to acknowledge.

It has overcome all the conventional economic criteria, which should have forced the French industry into a more competitive situation, but at the expense of many of their number.

In short, I do not believe that the structural and technical efficiency of British farming is sufficient to withstand the competition from the resilience of the family farmers in the rest of Europe, aided by their political strength, their situation defies conventional economics and it is folly to ignore or discount it, as so many do.

EEC seed name rule criticised

A COMMON MARKET directive which will make it illegal from next Tuesday to sell seeds under 1,700 names which are now used in Britain was criticised yesterday in the Commons.

The edict has been defended by the Ministry of Agriculture as a consumer protection measure to ensure that gardeners know what they are buying, but Mr. Tom Torney, vice-chairman of Labour's Food and Agriculture Committee, denounced it as "seed censorship."

He said: "Once more the Common Market is trying to force us to change our centuries-old customs.

"Why should we not be allowed to call a variety of cucumber, for instance, Burpless Green King, just because some bureaucrat in Brussels tell us we can't?

Speculation credit curb urged

JAMES STONE, chairman of the Commodity Futures Trading Commission, has urged that restrictions be placed on the ability of banks and commission houses to finance the speculative activities of their customers.

Mr. Stone, in remarks prepared for delivery at a financial futures conference in Chicago, said that the Congress in 1934 acted to curb the extension of credit into the stock market and out of more desirable uses in commerce and industry.

He urged that Congress should consider taking similar action covering commodity speculation.

"In these times (of tight credit), it is a cause for distress when hundreds of millions of dollars in bank credit are seen devoted to something as manifestly unconstructive as speculative hoarding in silver," Mr. Stone said in an apparent reference to the silver purchases by the Hunt Brothers.

He said banks and brokers regularly make loans to finance speculative margins and physical deliveries for speculative purposes in commodities, but they have long been prohibited from lending money to meet legally set margins on securities.

"There is no reason for this disparity to continue," he said. "In an era of tight money, inflation and government guarantees of institutional solvency, the case for such restrictions seems almost self-evident."

Mr. Stone said there was no economic benefit in the "speculative craze" for silver that would justify even a small risk of economic collapse.

The adverse impacts from the surge in silver prices included layoffs in the silver-using industries and a worsening of inflation, he said.

Furthermore, credit availability may have been affected, Mr. Stone said. "Banks, too, hampered for funds to lend for productive uses in agriculture and industry, were only too willing to finance speculation in commodities."

Mr. Stone repeated his view that the authority for setting margins in commodities should be vested in some agency of the federal government, rather than leaving the authority with the exchanges.

Further urgent action would be the imposition of speculative position limits, he said.

Reuter

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Barely changed in subdued trading on the London Metal Exchange. After opening at £878 forward metal fell away to £869.5 over the lunchtime period reflecting small-scale general selling and lack of interest. However, during the afternoon the market steadied on light covering and a slightly firmer trend in New York and three months recovered to £877.5 before closing the late Kerb at £873. Turnover: 14,750 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £846, three months £876, 75, 76, 75.5, 76, 74, 73.5. Cathodes, cash £818, three months £846, 47, 46.5. Kerb: Wirebars, three months £872, 71, 70, 69.5, 70. Afternoon: Wirebars, three months £875, 76, 75.5 76, 77, 77.5. Kerb: Wirebars, three months £875, 75.5, 75, 74, 73.5.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	845.5-6.5	—9.2	849-50	—1.25
3 months	873-4	—8.2	877	+.5
Settlem't	846.5	—9	—	......
Cathodes				
Cash			823-5	—2
3 months	816.5-8	—11.2	855-5	—2
Settlem't	846.5-7	—9.5	—	......
U.S. Prod	818	—11	*88-90	......

TIN—Easier following the fall at Penang and a narrowing of the backwardation. Three months material opened lower around £7,270 on the pre-market and edged up to £7,290 in the morning Rings. In the afternoon the price rose afresh, reflecting modest U.S. interest, to touch £7,310 before closing the late Kerb at £7,300. Turnover: 595 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7310-20	—90	7350-5	—52.5
3 months	7330-50	—15	7340-60	—20
Settlem't	7320	—90	—	......
Standard				
Cash	7310-20	—98	7350-5	—52.5
3 months	7290-300	—20	7300-5	—22.5
Settlem't	7320	—80	—	......
Straits.E.	‡$2146	—18		......
NewYork	—	......		......

Morning: Standard, cash £7,340, 20, three months £7,280. Kerb: Standard, three months £7,290. Afternoon: Standard, cash £7,340, three months £7,300, 05, 10, 7,300. Kerb: Standard, three months £7,300, 01.

LEAD—Lower. Forward metal moved up to £337 during the morning following renewed short covering, but failed to hold this level as a downturn in copper and hedge selling pared the price to £331 on the late Kerb. Freer offerings of cash widened the contango to around £9.5. Turnover: 10,000 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	322-4	—5	320-2	—7.5
3 months	331-2	—3.5	330-1	—1.5
S'ment	324	—5	—	......
U.S. Spot	—	......	*36-40	......

Morning: Cash £324 three months £334, 33, 32.5, 32. Kerb: Cash £323, three months £332, 31.5, 31. Afternoon: Three months £332, 32.5, 31, 30.5, 30. Kerb: Three months £330, 29, 38, 29, 30, 31, 32.

ZINC—Moved narrowly in routine trading to end the afternoon Kerb at £306.5, after extremes of £309 and £305. Turnover: 5,875 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffiel'l	+ or —
	£	£	£	£
Cash	293-4	—3.75	294-5	—5
3 months	305-6	—5.25	307-.5	—1.5
S'ment	294	—3.5	—	......
Primw'ts	—	......	*55.5	......

Morning: Cash £294.5, 94, three months £308 09, 08, 07, 08, 05.5. Kerb: Three months £305. Afternoon: Three months £307, 06, 07. Kerb: Three months £307.

ALUMINIUM—Lost ground reflecting the general trend in other metals. Forward metal opened at £718 but failed to hold this level as general liquidation depressed the price to £711 by the close of the late Kerb. Turnover: 4,900 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	715-6	—4.5	711-2	—11
3 months	712-3	—7	710-1	—8

Morning: End-June £716, three months £717, 15, 14, 12. Kerb: Cash £714, 12, three months £711. Afternoon: Cash £711, three months £712, 11. Kerb: Three months £710, 11.

NICKEL—Marginally firmer following good buying from one quarter during the morning rings and Kerb. Three months opened at £2,755 and edged up to £2,765 at which level it closed the late Kerb. Turnover 210 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficl'l	+ or —
Spot	2720-30	+10	2710-20	+25
3 months	2760-70	......	2760-70	+12.5

Morning: Cash £2,705, 15, 20, 25, three months £2,740 55.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

SILVER

Silver was fixed 1.65p an ounce higher for spot delivery in the London bullion market yesterday at £6.6225. U.S. equivalents of the fixing levels were: spot $15.47, up 5c; three-month $15.798, up 6c; six-month $16.171, up 6.2c; and 12-month $16.895, up 6c. The metal opened at £6.55-£6.70 ($15.35-$15.65) and closed at the same level.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	662.25p	+1.65	663.00p	+1.25
3 months	688.90p	+0.80	692.25p	+2.0
6 months	711.90p	+5.60	—	......
12months	754.40p	+5.60	—	......

LME—Turnover 74 (58) lots of 10,000 ounces. Morning: cash 663, three months 690, 89, 90, 91. Kerb: untraded. Afternoon: three months 692, 92.5, 91, 92. Kerb: three months 692, 93.

COTTON

LIVERPOOL—No spot or shipment sales were recorded leaving the total for the week so far at 137 tonnes. Users were not prepared to enter into further engagements and the offtake suffered accordingly. Occasional demand was experienced in particular growths, mainly African and South American, but little was heard of additional support.

COCOA

A little steadier at the opening futures failed to make any further impact on the upside and trading within a very narrow range indeed closed £5 higher than Monday evening, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
July	1107-08	+4.0	1109-01
Sep	1124-25	+6.0	1127-20
Dec	1169-70	+4.0	1170-65
March	1206-07	+2.0	1208-05
May	1229-33	+3.0	1231-29
July	1250-60	+2.5	1255-52
Sept	1265-85	+2.5	—

Sales: 1,072 (1,043) lots of 10 tonnes.

COFFEE

London Robustas opened steadier and aided by good trade and commission house activity values at the lunchtime close had risen £50 from Monday night, reports Drexel Burnham Lambert. The frenzied activity continued through a hectic afternoon and London prices climbed even higher as New York approached the 6 cent limit up. Profit-taking operations pared gains slightly at the finish but prices still closed substantially higher.

COFFEE	yesterday's Close £ per tonne	+ or —	Business Done
July	1494-95	+68.5	1502-430
Sept	1456-57	+75.0	1565-495
Nov	1590-92	+82.5	1597-30
January	1612-14	+89.5	1613-565
March	1580-00	+102.5	1570-35
May	1595-05	+112.5	1530
July	1589-90	+99.0	—

Sales: 9,001 (9,419) lots of 5 tonnes.

ICA Indicator prices for June 23 (U.S. cents per pound): Other Mild Arabicas 162.17 (167.00). Robustas ICA 1976 154.25 (139.25). ICA 1968 154.50 (159.50). Unwashed Arabicas 206.00 (206.50). Comp. daily ICA 1968 176.7 (180.08).

GRAINS

LONDON GRAIN FUTURES—The market opened with good buying interest on wheat and good consumer/shipper demand held values about steady to close unchanged to 10 up on the day. Barley although in thin volume saw greater support today and values closed firm 15p-25p higher, reports Acli.

WHEAT Mnth	Yesterday close	+ or —	BARLEY Yesterday close	+ or —
Sept.	95.40	+0.05	91.55	+0.15
Nov.	99.30	......	95.45	+0.20
Jan.	103.05	+0.10	99.30	+0.25
Mar.	106.50	+0.05	102.60	+0.20
May	109.85	+0.05	105.85	+0.15

Business done—Wheat: Sept. 95.60-95.30, Nov. 99.30-99.15, Jan. 103.10-103.00, Mar. 106.50-106.45, May 109.80-109.80. Sales 209 lots of 100 tonnes. Barley: Sept. 91.55-91.30, Nov. 95.45-95.30, Jan. 99.25-99.00, Mar. 102.60-102.50, May unquoted. Sales 71 lots of 100 tonnes.

IMPORTED — Wheat: U.S. Dark Northern Spring No. 2 14 per cent July 99, Aug. 100.25, Sept. 101.50 quoted transhipment east coast. Maize: French June unquoted, July 120 seller east coast. South African yellow July/Aug. 80 seller. Barley: English Feed fob Sept. 93.75 paid east coast, Oct. 96.50, Oct/Dec. 99, Jan/March 105, April/June 110 sellers east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 89.90, S. West 94.90, W. Midlands 93.40, N. West 90.00. Other milling wheat: S. East 105.00.

JUTE

JUTE—July c and f Dundee: BWC £214, BWD £184, BTB £260, BTC £220, BTD £191. Antwerp: July BWC $490, BWD $415, BTB $620, BTC $519, BTD $445. Jute goods c and f Dundee: July 40 in. 10 oz £12.55, 40 in. 7.5 oz £9.89. B Twills £31.21.

RUBBER

The London physical market opened quietly, remained so throughout the day closing on a slightly steadier note. Lewis and Peat reported a Malaysian godown price of 290 (288) cents a kg (buyer, July).

No. 1 R.S.S.	Yest'rdays Close	Previous Close	Business Done
July	58.80-58.90	58.80-59.00	58.10-58.60
Aug.	60.50-60.40	60.00-60.10	60.40
Jly.-Sept	60.20-60.40	60.00-60.20	60.40-59.50
Oct- Dec	63.80-65.90	65.40-65.50	65.90-65.40
Jan-Mar	67.00-67.10	68.50-68.60	67.00-68.40
Apr- Jne	69.50-.70	69.50-69.40	69.50-69.20
Jly.-Sept	72.40-72.50	72.00-72.10	72.50-71.90
Oct—Dec	74.90-75.10	74.50-74.80	74.80-74.60
Jan-Mar	77.50-77.60	76.90-77.00	—

Sales: 244 (203) at 15 tonnes, 33 (2) at 5 tonnes.

Physical closing prices (buyer) were: Spot 58.50p (58.00p), August 63.00p (62.50p), September 58.50.

SOYABEAN MEAL

The London market opened steady and moved £1.50 higher on good commercial support, reports T. G. Roddick. However, during the afternoon session prices drifted from the highs on slight profit trading to close with gains of £1.00.

	Yest'rday Close £ per tonne	+ or —	Business Done
August	102.50-02.5	+0.95	103.10-02.50
October	104.20-04.4	+0.99	104.70-03.60
December	107.50-07.6	+0.80	107.80-07.50
February	110.50-10.8	+0.90	110.90-10.50
April	112.70-13.0	+0.70	113.00
June	115.00-16.0	+0.75	—
August	116.00-17.5	+1.50	—

Sales: 199 (4) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £322.00 (£320.00) a tonne cif for June-July-Aug. shipment. White sugar daily price was £342.00 (same).

News that Colombia was offering 37,000 tons raws produced an easier opening when prices were some £4 below overnight levels. However, the volume of business was very thin as prices fell and some scattered short-covering soon halted the decline. Thereafter, quotations were contained within a narrow range in dull trading conditions, reports C. Czarnikow.

Sugar Pref. Comm. Con.	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
Aug.	353.00-63.50	370.25-71.00	373.00-62.80
Oct.	379.75-80.25	388.00-88.45	392.00-78.50

Sales: 2,773 (3,413) lots of 50 tonnes.

NUMBER 4 CONTRACT—Close (in order buyer, seller only). Aug. 351.00, 354.00; Oct. 371.00, 372.00; Jan. 382.00, 384.00; Mar. 391.60, 392.00; May 386.25, 386.50; Aug. 377.00, 378.50; Oct. 371.00, 372.00. Sales: 4,564 (4,377).

Tate and Lyle ex-refinery price for granulated basis white sugar was £324.7 (same) a tonne for home trade and £446.50 (£449.50) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Price for June 23. Daily price 31.92 (33.21); 15-day average 30.38 (30.45).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business, sales). Australian cents per pound. July 470.0, 472.0, 478.0-470.0, 104; Oct. 455.0, 457.0, 463.0-455.0, 121; Dec. 457.0, 459.0, 454.0-457.0, 158; March 462.0, 463.0, 467.0-463.0, 28; May 463.0, 463.5 467.0-463.5, 23; July 467.0, 469.0, 471.5-468.0, 22; Oct. 469.0, 470.0, 472.0-471.0, 34; Dec. 469.0, 469.5, 471.0-466.0, 2. Sales: 492.

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Aug. 361, 363, nil, nil; Oct. 361, 362, nil, nil; Dec. 364, 366, nil, nil; Jan. 364, 366, nil, nil; Mar. 370, 371, 374-370, 11; May 370, 372, 374-372, 19; Aug. 373, 375, 374, 8; Oct. 374, 375, 377-374, 9; Dec. 375, 378, 374, 2. Sales 49.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 24 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1700/1720	......	$1680/17
Copper			
Cash w'bar	£849.5	—1.25	£901.5
3 mths	£877.25	+0.50	£926.25
Cash Cathode	£824	—2	£882
3 mths	£854	—2	£904
Gold troy oz	$604.5	+8	$514.5
Lead cash	£321	—7.5	£323.5
3 mths	£330.5	—1.5	£329.75
Nickel	£3,248.35	......	£3,335.5
Freemkt(cif (lb)	265/295c	—5	265/295c
Platin'mtr'y oz	£182.50	......	£188/19
Free mkt	£271.85	+3.76	£235
Quicksil'ver†	$380/390	......	$385/395
Silver troy oz	662.25p	+1.65	517.90p
3 months	688.90p	+0.80	537.55p
Tin Cash	£7,352.5	—52.5	£7,287.5
3 mths	£7,302.5	—22.5	£7,245
Tungsten22.04lb	$139.82	......	$142.4
Wolfrm22.04lbs	$143/146	......	$138/145
Zinc cash	£294.5	—3	£306.25
3 months	£307.25	—1.5	£317.5
Producers	$780		$780/825
Oils			
Coconut (Phil)	$650x	+10	$660
Groundnut	‡	......	‡
Linseed Crude	£406	......	£404
Palm Malayan	$560w	—2.5	$595
Seeds			
Copra Philip	$435	+5	$425
Soyabean(U.S.)	$270-80z	+4	$258.3
Grains			
Barley Futures	£95.45	+0.20	£92
Maize			
French No3AM	‡	......	£117
Wheat			
No. 1 Red Spg.	‡	......	‡
No2HardWint.	‡	......	‡
Eng. Millingt.	‡	......	‡
Other commodities			
Cocoa ship't	£1,180	+6	£1,121
Future Sept.	£1,124.5	+6	£1,060.5
CoffeeF't'Sept.	£1,556.5	+75	£1,696.5
Cotton A.Index	83.40c	—0.35	88.15c
Rubber (kilo)	58.50p	+0.50	55.75p
Sugar (Raw)	£322	+2	£360
Wooltp's 64s kl	291p kilo		295p kilo

u July-Aug. s June-July. w Aug. x July. z Indicator. § Buyer. ‡ Per 76-lb flask.

LONDON POTATO FUTURES—Market quiet, opening steady but finding no follow through. Light selling put values down by the close, reports Coley and Harper. Closing prices: Nov. 45.70 —40 (high 45.80, low 45.60); Feb. 53.20 —40 (high 54.00, low 53.40); April 59.60 —60 (high 60.50, low 59.60). Turnover [illegible] lots of 40 tonnes.

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on June 24. [illegible]

SMITHFIELD—Pence per pound. [illegible]

COVENT GARDEN—Prices in sterling per package except where otherwise stated. [illegible]

AMERICAN MARKETS

NEW YORK, June 24.

TECHNICAL SUPPORT and the U.S. budget deficit generated a good rally in the precious metals, copper could not match the recovery. Profit taking hit the sugar market after Yugoslavia announced that it would meet all tenders. Coffee staged a limit up rally. Cocoa was featureless in light mixed trading. Lower than expected deliveries on the July contract rallied the cotton market to higher closes. Live cattle and hogs closed mixed in active trading, while pork bellies traded only limit up. Wheat sold off on profit taking and good country selling of the new crop harvest. Maize was mixed in a very narrow range and soyabeans rallied moderately, reported Heinold.

Potatoes (round whites)—Nov. 76.8-76.0 (75.5), March 95.8 (94.5), April 112.6-112.9.

Sugar—No. 11: July 33.20-33.35 (34.10), Sept. 34.00-34.90 (35.77), Oct. 35.60-35.75, Jan. 36.25-36.75, March 37.25-37.30, May 36.50, July 35.45-36.50, Sept. 34.50, Oct. 34.30.

Tin—733.00-774.00 asked (773.00-780.00).

CHICAGO, June 24.

Lard—Chicago loose 18.25 (18.00). New York prime steam unavailable.

‡‡Maize—July 283½-284 (283¼), Sept. 289¼-289 (288¾), Dec. 295½-296, March 307½-307¾, May 315¼, July 320½.

Silver—June 1584.0 (1530.0), July 1595.0 (1535.0), Aug. 1605.0-1605.0, Oct. 1631.0, Dec. 1658.0, Feb. 1684.0, April 1711.8, June 1737.8, Aug. 1764.0, Oct. 1790.0, Dec. 1817.0, Feb. 1843.0, April 1870.0, June 1896.0, Aug. 1922.0, Oct. 1948.0.

†Soyabeans—July 646½-647½ (645½), Aug. 655-656 (653½), Sept. 663½-664, Nov. 679-680, Jan. 695½-696, March 711½-712, May 724½, July 734½.

‖Soyabean Meal—July 174.5-174.4 (174.4), Aug. 177.8-177.8 (177.6), Sept. 180.9-181.2, Oct. 184.0-183.8, Dec. 188.9-189.0, Jan. —, March 196.1-196.3, May 200.0, July 204.5-205.0, Aug. —.

Soyabean Oil — July 22.61-22.63 (22.64), Aug. 22.85-22.88 (22.91), Sept. 23.08-23.06, Oct. 23.30-23.35, Dec. 23.70-23.68, Jan. 23.80, March 24.15-24.20, May 24.45, July 24.70, Aug. 24.75-24.85.

†Wheat—July 423½-422¾ (428½), Sept. 435-434½ (440), Dec. 453-454, March 468, May 473½, July 474½.

WINNIPEG, June 24. §Barley—July 138.00 (140.00), Oct. 129.30 (132.70), Dec. 128.50, March 128.50, May 128.50.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ‡ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen.

EUROPEAN MARKETS

Maize—Spot $146, afl $141.50, June $139.50, July $139.50, Aug. $141, Sept. $143, Oct./Dec. $146.50, Jan./Mar. $154.50, April/June $160.

Barley—June $147.25, July $148.75, Aug. $150.

Soyabeans—U.S. Two Yellow Gulf-ports spot $262, afl $259.50, June $261, July $263, Aug. $267, Sept. $270.75, Oct. $275, Nov. $275, Dec. $281.50, Jan. $285.25, Feb. $291, Mar. $294, April $297. Argentine June/July $259.50, Aug. $261.75, Sept. $267.50 sellers.

Soyameal—44 per cent protein July $216, Nov./Mar. $240 traded, afl $214, June $214, July $217, Aug. $221, Sept. $228, Oct. $232, Nov./Mar. $241. Brazil pellets afl $222, June $222, July $225, Aug. $230, Sept. $232, Oct. $238, Nov./Mar. $251.

PARIS, June 4.

Cocoa (FFr per 100 kilos)—July 1085, Sept. 1080/90, Dec. 1100/05, Mar. 1120/40, May 1135/55, July 1140. Sales at call 6.

Sugar (FFr per 100 kilos)—Aug. 3335/3337, Oct. 3505/3510, Nov. 3490, Dec. 3591/3600, Mar. 3720/3736, May 3740, July 3750, Aug. 3760. Sales at call 19.

INDICES

FINANCIAL TIMES

June 25	Jun. 20	M'nth ago	Year ago
266.06	264.33	267.74	304.31

(Base: July 1, 1952=100)

MOODY'S

June 24	June 20	M'nth ago	Year ago
1154.3	1147.5	1106.6	1109.3

(December 31, 1931=100)

DOW JONES

Dow Jones	June 23	June 20	Month ago	Year ago
Spot	433.47	431.17	434.53	426.89
F'tur's	443.89	442.29	447.42	438.82

(Average 1924-25-26=100)

REUTERS

June 24	June 20	M'nth ago	Year ago
1676.6	1670.4	1711.1	[illegible]

(Base: September 18, 1931=100)

FINANCIAL TIMES SURVEY

Wednesday June 25 1980

Investing in Commodities

CONTENTS

As the recession squeezes company profits, investors are turning with growing interest to the commodity markets. Both the risks and the potential rewards are high, for these markets still tend to follow a boom-and-bust cycle. But many believe that basic raw materials are a good bet during a time of general economic uncertainty.

A risk more are willing to take

By John Edwards

INTEREST IN the commodity markets, as an alternative form of investment, has grown enormously in recent years. It has a reputation of being risky, because the stakes are often very high. But commodities are increasingly being taken very seriously as an essential part of investment portfolios, to provide protection against the depreciating value of money.

The bulk of these investment funds have gone into metals; but there is increasing recognition that since other commodities are also basic raw materials, there is an intrinsic need for them which eventually overrides any variations in the value of money. It was noticeable during the great gold and silver boom earlier this year, and the subsequent collapse, that the sugar market moved in roughly the same way.

Looking at the movement of commodity prices in past years, it can be seen that they do *indeed reflect the inflationary* spiral that has hit the industrialised countries so hard.

It is true that investment in commodities is something of a misnomer: the more accurate term is speculation since no dividend or interest are paid. But in reality, any profits made from commodities are little different from capital gains made on share dealings, and the commodity speculator does play a useful role in providing the extra liquidity required in the futures market if they are to operate properly for the trade.

*The risky reputation of com*modity investment is based primarily on futures trading, where only a percentage of the total sum involved has to be put up as a margin. This is normally *10 per cent but can be raised* much higher, depending on the creditworthiness of the investor and the state of the market. If prices are very volatile the clearing house often raises its *margins and brokers too ask for* higher deposits as an assurance against bad debts.

Good return

*The high gearing element pro*vided by only having to put up a 10 per cent margin is one of the chief attractions in commodity investment. It often means that large sums can be *made for a modest outlay.* Equally, losses can be magnified in the same way.

There are several ways of minimising risks. One is the use of options, where losses are confined to the premium paid.

Another method which is gaining popularity, especially in the U.S., is managed or discretionary funds. Here the investor puts up a specified sum and relies on the manager of the fund to earn a good return.

Commodity unit trusts, either in commodity company shares, or offshore funds investing in actual commodities or the futures markets, provide another relatively "safe" investment. Nevertheless many *investors prefer to keep control* over their own money and obtain the high gearing advantage available from trading in futures.

Although there is a steady *underlying growth of interest,* commodities still tend to follow a boom-and-bust cycle, with prices soaring at one time, only to collapse later. Outside interest is normally attracted *by the kind of boom that the* world sugar market has enjoyed this year, with prices trebling in less than 12 months.

Other markets have been relatively subdued, although cocoa prices have tumbled. But there has been a continued steady build up of volume in the home-grown grain futures markets housed in the Baltic Exchange. New contracts have been launched for arabica coffee, to join the existing robusta coffee market in London; the wool futures association has made a determined effort to revive interest with an unusual new contract priced in New Zealand dollars and offering a New Zealand delivery point, as well as separate trade in New Zealand itself.

A *new market for potato* futures has just been launched, which, if successful, could open the way to more domestically-orientated EEC agricultural commodity contracts. Eggs immediately spring to mind as a possibility.

However, the biggest potential lies in plans to start a futures market for oil products. After intensive investigations, details of a contract for gas oil are now being drawn up with the help of representatives from some of the big oil companies. There is still a lot of work to *be done before a final decision* is made, but the present intention is to try to launch the market early next year.

This would represent a con*siderable shot-in-the-arm for the* London Commodity Exchange, which has been accused of being somewhat backward in catering for the expanded interest in commodities.

A successful oil futures market would pave the way for further contracts in oil products, such as benzene and naphtha, as well as bringing a vast *new flow of funds into the markets. The raison d'etre for* commodity futures in this case *would be to provide protection* against the unpredictable price fluctuations which have now hit the previously stable oil *market.*

It seems clear that the kind of political and economic uncertainties that have already wreaked such havoc in the *commodity markets are likely* to persist for some time. Efforts to stabilise world commodity prices, as part of a new economic order, have so far met with little success. The controversial UNCTAD common buffer stock fund has finally been agreed in principle, though in a much watered-down form, but haggling continues over its formation and it is likely to be many years before further progress can be made.

Meanwhile the integrated commodities programme has received a severe setback with the collapse of the International Cocoa *Agreement because of* disagreement between producing and consuming countries. The gulf between the two sides appears to be widening, rather than narrowing. And though attempts are now being made to salvage the cocoa pact, the producers have already suffered badly from an ill-judged attempt to try and control the market independently.

Meanwhile the International Sugar Agreement lost control of the world sugar market almost as quickly as it was implemented. Prices moved swiftly *from below the Agreement's* "floor" level to way above the "ceiling" and the market is back to a free-for-all.

The freedom given to investors by the lifting of the foreign *exchange controls has had a* special impact on commodities, which are internationally traded.

One side effect has been to remove any official control over the market, since the supervision exercised by the Bank of England was as part of the exchange control provisions. The Bank no longer has the power to demand returns and reports on what is happening, and has also lost the ultimate threat of refusing to give foreign exchange concessions to any trader who got out of line.

Commodity brokers, however, are co-operating in efforts to establish some sort of quasi-official agreement with the Bank, which is continuing to monitor the markets—if only *to avoid the kind of regulatory* agent that has caused such concern in the U.S. markets.

Moves by the U.S. Commodities Futures Trading Commis*sion to regulate the American* markets even more, and to demand full disclosure from overseas companies trading there, have already caused a significant switch towards the London markets. It is anticipated that new funds coming into London could increase considerably in the years ahead, if the U.S. markets become too restrictive.

Many European companies are simply not prepared to reveal confidential information about their clients and they must, therefore, increasingly turn to London. This could *well produce a considerable* transformation in the traditionally trade-orientated London commodity markets, especially in the troubled times ahead.

Huge U.S. futures markets opened up

THE LIFTING of the UK foreign exchange control regulations last year has opened up a whole new range of commodity markets for the British *investor. It is now possible to* trade in Sydney futures, where the commodity markets have been growing rapidly in recent years; in Hong Kong, Paris and Winnipeg futures: and most *important of all, in the huge* futures markets in Chicago and New York.

Compared with London, the range of commodities futures that can now be traded is enormous, especially in the U.S. There are the giant grain and soya bean markets in Chicago; a variety of other agricultural products, including pork bellies (bacon sides), live cattle and lumber; and in New York, orange juice and cotton.

These markets tend to be heavily influenced by U.S. domestic developments, even though many of them—like grain and cotton—fix the world price of the commodity. This domestic influence makes it *difficult to deal successfully at* a distance, particularly in view of the fact that short-term price movements tend to be controlled by local speculators and are, therefore, often highly un*predictable.*

There are also the "international" U.S. commodity futures markets, mainly in New York, which parallel those in London—cocoa, coffee, copper, silver and sugar. In addition, the gold and platinum futures markets in New York are widely used by UK and European investors.

Finally there is a new type of futures markets in the U.S. whose popularity has grown tremendously in the past few years. These are the so-called financial instruments futures covering interest rates and currencies.

At present these financial markets are mainly concentrated in Chicago, on the Board of Trade and the International Monetary Market (IMM) which are part of the Chicago Mercantile Exchange, where they were launched. New York exchanges, including the copper exchange (Comx), have started rival markets. But the big challenge to Chicago is expected to come from the giant New York Stock Exchange, whose New York Futures Exchange (known as *NYFE) is due to open very* shortly—probably at the beginning of July.

The essentials of trading in the U.S. for the British citizen are much the same as dealing in London.

They can be handled by the same broker with equal ease, although many of the multinational commission houses are U.S.-based and, therefore, have stronger connections on the American markets.

However, although it is just as easy to deal in the U.S., there are significant differences between the American and London markets. The U.S. markets are, for example, far more tightly regulated, imposing strict limits on the size of price movements each day. These limits are often rather inflexible and can result in the investor being locked in the market for days on end without *being able to get out.*

More and more regulations are being introduced by the Commodities Futures Trading Commission—a U.S. Government agency—including the controversial ruling demanding full disclosure of background dealing details which European traders would often view as being totally confidential.

Execution of orders on U.S. futures markets can often be slow and inefficient, especially during times of excitement. On the other hand excess margin money is returned to the investor on a day-to-day basis, unlike the practice in London where the clearing house retains funds that could be earning the investor useful interest.

But the biggest difference in the U.S. is probably that the futures markets there are geared up for the non-trade investor or speculator and struc*tured accordingly, whereas in* London the markets are basically trade-orientated. Speculation is not a dirty word in the U.S.—it is actively encouraged as a means of enabling the markets to work more effectively for the trade.

J.E.

INVESTING IN COMMODITIES II

Volatile prices dictate profits in broking

BUYING SHARES in commodity merchants and brokers makes sound theoretical sense. The investor can participate in the movements of a commodity price without raising the substantial capital needed for direct trading. By buying into a group with interests in a wide number of commodities, he can also limitm is exposure to any single price movement.

In practice, the exercise is more difficult. Many of the leading traders in the UK are private companies. G. Czarnikov, for example, is very active in sugar, rubber, cocoa and edible oils. It generated sales last year of £1.34bn yet is wholly in private hands. Because of the limited capital requirements of commodity merchants and brokers, a stock exchange listing is often unnecessary.

Of the other companies, many are conglomerates with a wide spread of interests outside commodities, Guniness Peat, for example, is involved in plate glass, insurance and chemicals. Its spread of interests limits the risk of the investor but can also deaden the impact of windfall profits.

Earlier this year, the companw produced an increase in interim profits from £1.85m to £6.22m. The bulk of the rise was attributable to the group's heavy involvement in the rubber market, which was very active.

The growth in earnings from money broking, banking and the other activities was almost certainly less spectacular, and the rise in dividend was held to 22 per cent. A direct investment in the rubber market would have produced a significantly higher return.

Many groups use commodity broking and trading to supplement their productive activities. Tate and Lyle and Sime Darby are both major companies with trading and merchanting operations. Harrisons and Crosfield is also an active commodity trader, yet in 1979 general trading profits contributed less than one-tenth of the group's operating surplus.

Even though a company like Tate and Lyle will generally trade most actively in the commodity which it produces, there is no guarantee that trading profits will move in line with the rest of the group. The producer is most likely to make money out of a rise in the price, whereas the broker will profit from volatility.

Recent interim figures from Tate and Lyle showed that profits from commodity trading more than doubled to £15m, even though the group as a whole saw pre-tax earnings fall by £2m to £9.2m. The company's refining business is under heavy pressure from British Sugar, which is fighting to hold on to its UK beet acreage in the face of EEC pressure to reduce it.

This leaves two large listed companies which offer the potential for investment principally in commodity broking. Of these only one, S. and W. Berisford, has spread its interests across a wide range of commodities. The other, Gill and Duffus, remains primarily a cocoa trader.

Growth rate

Cocoa is also the commodity on which Berisford has built its spectacularf growth rate. In the ten years between 1969 and 1978, pre-tax profits grew from about £2m to over £31m and earnings per share increased thirty fold.

Expansion on this scale clearly could not continue indefinitely, and last year Berisford saw its pre tax earnings rise by less than £1m. The high cost of borrowing coupled with a dull cocoa market had turned the hare into a tortoise. The reasons cited by Berisford for the slow down have affected traders in almost every commodity. Industrial disputes, a recession intensified by rising oil prices, and political uncertainty have all left their mark.

High interest rates can also have a punitive effect on traders such as Berisford. The debt position of such companies can oscillate widely within any one year and some traders insulate themselves by medium-term borrowing at fairly modest rates while placing surplus cash on short-term deposit at high rates.

The increase in Berisford's interest charge from £2.9m to £10.4m last year, however, testifies to the strains that a high interest rate regime can impose. The proble mis intensified by the fact that slack demand during a recession can make stocks hard to shift and expensive to finance.

To maintain growth, Berisford has been acquiring small companies, many of them in the commodities field. It has been particularly active in developing the manufacture and merchanting of secondary metals. Last year Berisford expanded the scope of its interests further by acquiring the Turner Curzon timber group for £1.7m.

And recently it made a daring £120m bid for British Sugar. The offer has been held up by a referral to the Monopolies Commission and would, in any case, severely stretch Berisford's own resources. It is capitalised at very nearly the same value at British Sugar.

A further complication is the Government's 24 per cent holding in British Sugar. The stake is likely to be sold in the near futur ebut it is by no means certain the Government will view Berisford as an appropriate buyer.

If the hotly contested bid is successful, Berisford will find itself with a sugar producer whose activities dovetail neatly with its own trading operations. Furthermore, British Sugar has recently completed a major capital expenditure programme and should be an impressive cash generator over the next few years.

Like Berisford, Gill and Duffus has an impressive and consistent growth record which gives the lie to a widely held belief that commodity broking is a boom and bust speculative activity. But Gill and Duffus—like Berisford—has run out of steam. Profits fell last year for the first time in 20 years in spite of a £1.5m contribution from its new chemical feedstock division.

The fall in profits to £20.6m illustrated the uncertainty of investing in commodity brokers. Companies with chequered records, such as Tate and Lyle and to a lesser extent Guinness Peat, did extremely well out of trading last year because the commodities in which they specialise (rubber and sugar respectively) were active.

Cocoa specialists with spectacular records, like Berisford and Gill and Duffus, foundered on a market deadened partly by uncertainty surrounding the renegotiation of the International Cocoa Agreement earlier this year. The number of cocoa lots traded on the London terminal market fell from 982,000 in 1978, already well down on previous years, to 840,000 last year. The number of sugar lots, by contrast, increased from 693,000 to 885,000.

In assessing an investment in commodity trading, therefore, the criterion is not the same as for a commodity fund where the rise in price is of prime importance. For brokers, price volatility is the key.

Activity in a commodity is perhaps still harder to predict than the likely price movement. Yet, as the case of Gill and Duffus and of Berisford show, growth can be maintained to a degree by clever management.

Recently, for example, Berisford struck a deal with the Ivory Coast to market 100,000 tonnes of cocoa which had been stored in anticipation of a price rise. Whatever happens to the cocoa market this year, that deal alone should produce a profit of between £500,000 and £1m.

Particularly during a recession, when commodity brokers find it almost as hard to increase profits as manufacturers, the prudent investor will probably stick with proven expertise.

John Makinson

Managed funds enable smaller investors to join the game

PRIVATE INVESTORS tend to use managed funds for at least three reasons—first, to achieve economies of scale; second, to spread their risk; and third to benefit from some one else's skill. Investors tempted to dabble in commodity markets—and in view of the relatively poor performance of equities in recent years there are an increasing number—have particularly good reason to be impressed by these arguments.

For example, the price of the cheapest single commodity contract at the moment is about £2,000, a minimum subscription which effectively bars many small punters from dealing in these markets on their own account. Furthermore, the sharp movements in prices in the last year or so mean that investors who stake everything on one commodity are raguably taking a reckless gamble. And finally, although not well documented, the performance of many of the funds which have been running in the last few years has been surprisingly good.

The case for seeking some sort of management has been put by Mr. Edwin Forry Hargitt, the U.S. metallurgist and senior partner in Dunn and Hargitt which runs a Pooled Commodity Account for international investors. "Eighty-five per cent of those who invest in the commodity markets are losers," he claims, "mainly because they have no trading plan. If you do not use basic ground rules, you are better off playing poker."

Assuming the force of this argument has been driven home and the investor has opted for an indirect route into the commodity markets, the next step is to decide what degree of risk to accept.

At the most cautious end of the spectrum, for instance, there are *authorised unit trusts.* Authorised unit trusts are controlled by the Department of Trade and, among other restrictions, are not permitted to invest in physical commodities.

There are, however, about ten authorised unit trusts which specialise in the shares of gold mining, mineral exploration, oil and other commodity-related companies. These did extremely well in 1979 as the increase in the price of oil, in particular, and other commodities were reflected in their Stock Market rating. Three of Britannia Trust Management's funds—for example, Britannia Minerals, Britannia Gold and General and Britannia Universal Energy—topped the performance tables during the year with the Minerals price just about doubling.

By any standards this is a pretty good performance but, as a rule, authorised unit trusts tend to be less exciting than funds invested directly in commodities. This is because their portfolios include companies whose activities are well diversified and whose profits are only partly influenced by fluctuations in commodity prices.

Offshore bases

Funds which give investors a direct exposure to commodities are invariably based offshore, in such places as the Channel Islands and the Isle of Man. These funds, in principle, operate exactly like a unit trust but because they do not satisfy the DoT's requirements, they are not allowed to be constituted on the mainland.

In most cases they are effectively managed by London-based "advisers," whose names in many cases will have a disinctly familiar ring to investors.

Investment in commodities is potentially risky and not simply because of the volatility of prices. Because of the deposit and margin system which operates in the futures markets, the investor's commitment is considerably more than the *capital he puts up if he chooses* to invest direct—a deposit of only 10 per cent, for example, is required to open a transaction.

If, however, the price of a commodity falls by 10 per cent, the investor either has to close his position or find a further deposit. If the price falls 50 per cent, his commitment will be five times his original outlay.

Selling "short" in the futures markets, that is, selling copper or zinc which you do not actually possess, is even more hazardous. If the price drops, the investor makes a profit by buying for less than the price at which he has agreed to sell. If it moves higher, however, his liability is theoretically unlimited.

This "gearing," of course, is what gives commodities their appeal and results in fortunes being made and lost in a day. One distinguishing feature of a number of commodity funds is that while investors' liability is limited beyond the cost of their shares or units, they can also gain exposure to "gearing." The level of "gearing" is therefore the most interesting variable when choosing a fund.

Individuals are occasionally prepared to risk losing all their money but a fund manager would look pretty silly if he was wiped out in the first week.

Some funds, such as Old Court Commodity Trust, which is advised by N. M. Rothschild Asset Management, are therefore ungeared—that is to say if there is £100,000 available for investment, forward commodity purchases of no more than £100,000 may be made. Save and Prosper (Jersey) commodity fund is also pretty cautious, although marginal gearing is allowed.

Other funds, meanwhile, vary their gearing, though a ratio of three to one is considered by many to be the maximum advisable. In theory this means that a fund with £100.000 to invest could be called upon to find £300.000 if everything went wrong (the brokers generally indemnify the fund against "extra" calls).

In practice, of course, managers adopt certain tactics to keep their risk under control. One is to place "stop losses" so that if a market is moving unfavourably positions are liquidated before serious damage can be done.

Another is to "purchase call" and put options to sell and buy on a certain date at a certain price. This is effectively a form of insurance cover so that if things go badly the maximum loss is the premium paid to purchase the option.

One of the most conservatively structured funds, and the biggest on the market at about £19m is the *sterling-denominated* Old Court Commodity Trust. About 45 per cent of the assets are invested direct in commodities, with a further 45 per cent in commodity-related stocks and shares and the balance in cash.

The fund is not allowed to sell short and no more than 10 per cent of the assets may be invested in any one commodity. Since its formation in January 1976 it has achieved an appreciation of more than 100 per cent (reinvesting net distributions).

Probably the most successful commodity fund is Armac, which was started in 1975. Since January 1976, it has been run by Mr. Joe Hales of Commodity Fund Management and over that period the fund's share price increased from about $10 to its present $66. Armac, whose brokers and major shareholder is Commodity Analysis, now totals about £2.1m. Mr. Hales also manages the successful Count and Wardgage Funds. Count's price has moved up from £10 to £37 since its launch in January 1976 while investors in Wardgage, which now totals about £4.9m, have doubled their capital since its formation at the end of 1977.

Mr. Hales says about 50 per cent of the assets of Armac are always invested in cash commodities (commodities for immediate delivery) or in cash. The gearing varies at any one time from nothing to a *maximum of about* 3:1.

Mr. Hales attributes his success to flexibility. "We don't have a commitment to a particular level of metal trading or soft commodity trading. Some people, I feel, have a favourite area which effectively closes doors to opportunities which may crop up elsewhere.

Among the smaller funds is Wren Commodity Trust, which is based in the Isle of Man. It is advised by Tillotson Commodities Management, and offers a similarly high degree of gearing and hence of risk.

Annual levy

On the importance of controlling the fund's gearing, Mr. John Tillotson, managing director, says: "You have got to keep your greedy glands under control. When things are going well it seems so easy to make money but, of course, the opposite can be true as well."

The charges for offshore funds range are most commonly a 5 per cent initial charge and a 1-2 per cent annual levy. On the other hand, the Surinvest Silver and Copper Trusts, which simply provide investors with a vehicle to invest in those commodities, take only a 2 per cent initial charge.

Besides the offshore funds linked with UK advisers, there are an increasing number of commodity funds being offered publicly through U.S. brokers. One of the most recently launched is Hutton Commodity International, which was organised on February 1 under the laws of the Virgin Islands and which has its main office in the Bahamas.

Tim Dickson

INVESTING IN COMMODITIES III

The futures market is always risky, but there is a way to cut down potential losses: commodity options

Options provide a safety net for speculators

THE GREATLY increased volatility of the commodity markets in recent years has offered the speculator greater potential profits than ever before. A £10,000 outlay allows him in normal circumstances, to purchase futures contracts to a value of £100,000; and with, say, a 25 per cent price appreciation in six months (not particularly unusual these days) a profit of £25,000 is quite possible.

But the potential loss is not just the £10,000 outlay—it could be the whole £100,000. And if our speculator decides to sell the market short, expecting prices to fall, his risk is unlimited. He can of course protect himself by placing a stop-loss order with his broker at the time of purchase or sale, but then he takes the risk of finding himself out of the game within a few days of entering the market—and nursing a not inconsiderable loss.

There is an alternative, however: commodity options. For the payment of a premium, usually a little over 10 per cent of the market price, the speculator can purchase the right to buy or sell his chosen commodity at the current ruling price within the next year.

If the market moves in his favour by more than the price of the option he makes a profit: if it moves against him—no matter how far—all he stands to lose is his premium. Effectively he eliminates excessive risk at the cost of reducing, but not limiting, his potential profit.

Say the futures price of sugar for delivery a year hence is £300 a tonne and our speculator fancies the market will rise substantially during that period. He can buy June, 1981 sugar for £300 a tonne, laying out a deposit of £30 a tonne, or he can purchase a "call" option at a cost of about £30 a tonne. If he does the former, and if he is a prudent man, he will place a stop loss order, say at £270 a tonne. His risk in both cases is the same—£30 a tonne.

If his fancy proves correct and the price of June, 1981 sugar moves up steadily to £400 a tonne, the first course will yield him a profit (less commission) of £100 a tonne while the option will gain him only £70 (after deduction of the premium cost). But what if the price slips below £270 before rising to £400? In this case the option will still yield a £70 profit but the futures contract would have been closed out, leaving him £30 a tonne (plus commission) poorer.

Price rises

Another possibility is that the price rises to £350 a tonne after a few months and the speculator decides it is unlikely to rise further. In this case he would sell futures equivalent to his option but he would not declare the option itself. After all, he can do that at any time before next June.

He now has a guaranteed profit of £20 a tonne but he could make much more. If the price falls to £250 he can buy against his futures sales. His guaranteed profit has now gone up to £70 a tonne—£100 from the futures transactions less the cost of the original option. But he still has the option and if the price rises again could make yet further capital gains.

Of course this is a very rosy view. It is extremely rare for a speculator to find events going in his favour to this extent. But considering the limited risk even the initial £20 profit would not be unwelcome.

The mechanics of option trading are quite simple. Options can be taken out at varying premiums, against any delivery position quoted on the futures market (provided someone can be persuaded to "grant" it). A "striking" price is fixed at which the option can be declared, which will usually be the current quoted price for that particular position.

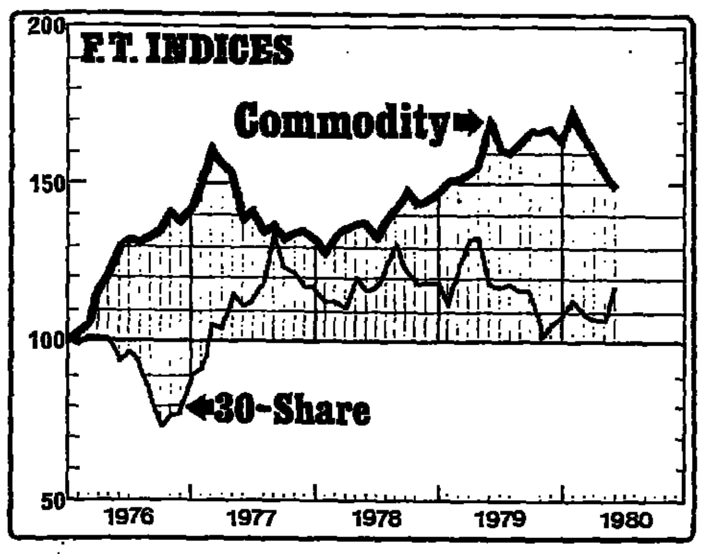
There are three types of option: "calls," which allow the holder to buy at the striking price; "puts," which allow him to sell; and "doubles" which allow him to do either but not both. A double option will generally cost twice as much as a single.

There is nothing to stop the speculator granting options himself, though this is a very risky business. Here his profit potential is strictly limited but covering when the market moves in the buyer's favour can prove very expensive.

The high activity and volatility of commodity markets recently might have been expected to have encouraged increased use of the option market. But this has not been the case. While turnover on most markets has fluctuated dramatically, the level of option trading has remained fairly stable.

One explanation of this could be greed. When a speculator enters a market he feels, like any other gambler, that he is making a good bet. Why should he throw away some of the profits he is confident of gathering on option premiums?

It is also true that the extra complications of options can be off-putting to the non-professional trader. Another, possibly more potent, reason is basic distrust of options which has been heightened by recent scandals in the U.S.



Unscrupulous American "bucket shop" traders went in for a hard sell on London options. They made extravagant claims of guaranteed profits, charged inflated premiums, and often did not even take out cover against the options they sold.

When a few big "winners" found that the traders could not pay out, a major uproar ensued which ended with a wholesale ban by the U.S. authorities on trading in London options. With similarly alarming stories coming from West Germany serious damage was done to the reputation of option trading.

Although most outright speculators look to maximise their profits and therefore do not bother with options, there are many more modest commodity investors who seek only a reasonable return on their money. Rather than engaging in direct trading these generally entrust their money to one of the many discretionary fund managers who have set up shop recently.

These firms, because of the larger scale of their operations, are able to spread commodity investment more widely, and therefore more safely, than individual investors could. But even in this sector commodity options are rarely used.

One management firm that does make continual use of options is Tillotson Commodities. Its founder, John Tillotson, believes options are a useful tool both for "aggressive" and "defensive" trading.

There are four main techniques used by the firm. The offensive "take" involves the purchasing of options before an expected major price move, as described above. The defensive take is used to give protection against adverse market moves when a straight futures position is already held.

Granting options is also used both offensively and defensively by Tillotsons. The offensive grant is used when no position is held. If prices remain stable the firm pockets the premium but if a major movement occurs cover has to be bought or sold on the market. This is a high-risk tactic which requires a degree of control and discipline which only professional traders are likely to have.

The defensive grant involves granting options against an existing holding which is looking shaky. It has the effect of allowing more time for making a decision on whether to close the position.

Richard Mooney

'Chartists' seek to plot their way to a killing

ANY COMMODITY broker will tell you that it is easy to make money when the markets are active. The more honest among them will also tell you that it is always easy to lose money by speculating in commodities.

Most investors favour the technique best described as "jumping on the band-wagon." When prices are rising they will buy and when prices are falling they will sell. When the movement is sustained—like the recent rise in sugar or the fall in cocoa—most speculators will come out in front.

The trouble is that really big movements like these are relatively few and far between. Stable markets are good for producers (providing prices are remunerative) and for consumers (providing they are reasonable) but they are bad news for the speculator.

The trick of making money in a relatively flat market depends mainly on one thing—timing. This is where charts come in. "Chartists," or technical analysts as they prefer to be known, spend their time poring over ever more sophisticated graphs and tables seeking the most propitious moment to trade. They may have a fundamental view of the market based on their assessment of supply and demand trends, but the actual act of trading will be triggered by the completion of a pattern on their charts.

At its simplest chartism is based on the assumption that history will repeat itself. If a graph displays a pattern which has previously preceded a major movement chartists will be on the lookout for the beginnings of a similar movement. This technique (if that is not too grand a word for it) uses the familiar line chart which simply plots the movement of prices over a period of time. But the chartist has far more cunning tools at his disposal.

One of these is the bar chart, which represents the price range over a given period (one day, two days, a week, etc.) as a vertical line. The wider the range, the longer the line. Often the closing price will be indicated by a mark on the line. This chart obviously contains far more information than a line chart. It shows trends in market volatility, in the relationship between the high or low point and the closing price, in the movement of periodic highs and lows (which may be different from, and more informative than, the closing price trend) and so on.

Within the bar chart the analyst looks for significant formations: a "head and shoulders" forecasting a sharp decline, for instance; or a "flying top" prophesying a strong upsurge. He also looks for "trend lines," straight lines connecting a series of prominences on the chart. When the trend is broken, often termed a "key reversal," the chartist expects a substantial movement in the opposite direction.

Another form of chart used by technically minded commodity speculators is the point and figure chart. This has no arbitrary time span, its breadth being determined simply by changes in the direction of price movements. Sustained movements are recorded vertically in the same column, usually by an "o" for a fall and an "x" for a rise. The next column only comes into use when the trend is reversed.

In the point and figure chart the investor looks for "congestion areas" where there is a lot of movement within a limited range. These are taken to forecast a significant move when the price breaks out of the area. Some chartists also use the pattern of activity to forecast the direction of the break. If most activity is in the lower range it implies that support is being effected and that the next major move will be upwards. If the activity is at the higher end resistance is implied and a downward move is expected.

Basic tools

A further claim made for the point and figure chart is that it can predict the extent of the move. The breadth of the congestion area is believed by some to be directly related to the size of the next move.

In conjunction with these basic tools the chartist uses various refinements such as seasonal trend charts (to eliminate expected movements), moving averages (to smooth out violent fluctuations), oscillators, trading volume charts and open interest charts.

Only a truly dedicated chartist would trade entirely on the evidence of his charts, however. Some awareness of the fundamental factors is generally considered necessary, if only to determine the likely long-term trend within which short-term price movements are occurring. Few speculators, for instance, would sell coffee immediately after a frost in Brazil, whatever the charts foretold. Devotees of unquestioning chartism would argue, however, that such factors are taken care of in the charts. "If the market knows it, the charts know it too." is their creed.

Most such speculators operate in America. On this side of the water investors tend to be less trusting.

Though there is no guarantee of profit in chartism—natural phenomena like frosts, floods, and invasions of Afghanistan can upset the best laid plans of technical analysts—the chartist can take comfort in the knowledge that he is not short of allies.

If a thousand speculators are using the same techniques to analyse the same types of charts drawn up from the same market data there is a natural tendency for them to come to the same conclusion at the same time. For this reason even the fundamentalist speculator cannot afford to ignore chart patterns. They are themselves important market influences. This is particularly true in the U.S., where chartism is far more popular than it is in Europe.

The "self-fulfilling prophecy" aspect is often used as an argument against technical analysis by its detractors. They say it clouds the issue and makes it impossible to establish whether the charts are really predicting market movements or actually making them happen.

This is one chicken and egg argument that can be traced back to source, however. The pioneering chartists drew their charts first. Only when they found the results encouraging did they actually put their money down. And it was their success which attracted more people to the cause. Chartism had proved itself a profitable market technique before it reached the stage of becoming a significant market influence.

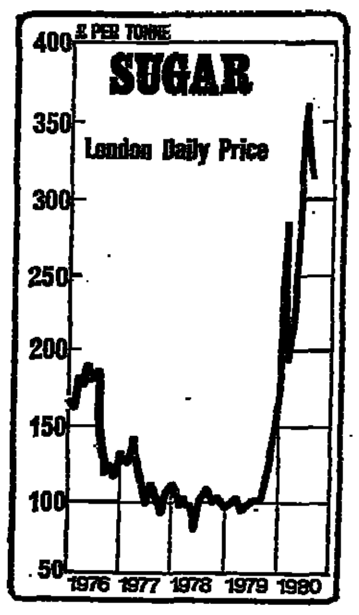
Anyway, speculators use charts to make money, not to establish an academic principle. What do they care if it is only strength of numbers that generates their profits?

R.M.

The oil crisis, the fall in the value of the dollar and the Bunker Hunt silver debacle have been the main background influences in the London commodity futures markets during the past year. The depressing economic outlook is now the dominant influence, although the aftermath of the silver crash has created suspicion about the whole futures structure. But while the general outlook is gloomy, the trend in prices of individual commodities is still very much controlled by supply-demand developments. World sugar, for example, is enjoying a boom time after many years of depression, while previous high flyers such as cocoa and coffee are under pressure from reduced demand. John Edwards reports.

SUGAR

Star performer



STAR PERFORMER on the London commodity markets during the past year has undoubtedly been sugar. The London daily price for raw sugar has soared from £90 a tonne to a peak of £362 last month, the highest level for over five years.

No one would be surprised if prices move even higher later this year, possibly even challenging the all-time high of £650 reached in 1974.

Poor crops in several important producing countries, notably Cuba, has been the prime reason for the rapid rise in world sugar prices. World production this season is forecast to fall at least 5m tonnes short of consumption, thereby reducing considerably the huge surplus of supplies previously overhanging the market.

Reserve stocks, put aside by members of the International Sugar Agreement in an effort to stop the decline in prices to uneconomic levels, were quickly snapped up once the "ceiling" of the agreement was breached earlier this year. All export quota restrictions have been abolished as well, leaving the market open.

There is some apprehension that the surge in prices may lead to a repeat of the 1974 boom that was swiftly followed by a much longer-lasting depression.

One similarity is that the last boom came just when the EEC was reviewing its sugar policy for the next five years. The high prices, and temporary scarcity of supplies, encouraged the Community then to expand production to such an extent that it became the largest exporter on the world market.

It is feared that the present boom will encourage the EEC to shelve plans for a cut in surplus production. These have already been effectively postponed for a year.

Cane sugar producers have also shown a remarkable ability in the past to increase output in response to higher prices.

Nevertheless, the consensus in the market is that supply and demand remain fundamentally strong even though prices have been artificially inflated by premature speculative buying, followed by bursts of profit-taking sales.

It is feared a real shortage of sugar supplies could develop next year, unless beet crops in Europe and the Soviet Union increase sufficiently to offset threatened poor production in several key cane producing countries.

The move towards turning sugar into alcohol, notably in Brazil, has been slowed by the rise in prices, and the threat of rising competition from high-fructose maize-based syrups (isoglucose) remains.

COFFEE

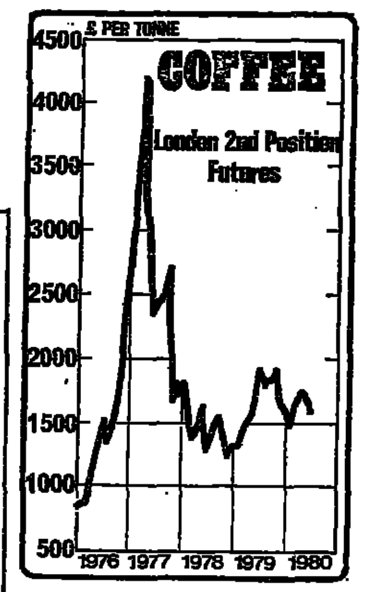
Surplus supplies

COFFEE PRICES have been sustained by heavy support buying organised by the leading South American producing countries through the so-called Bogota Fund, now relaunched under the title of Pan Cafe.

However, if July passes without any frost damage to the crop in Brazil, there will be further heavy downward pressure on prices.

Already values have fallen in the face of surplus supplies chasing sluggish demand, although consumption of coffee has recovered remarkably well from the damage done by the shortages and high prices in 1976 and 1977 following the famous 1975 frost.

But production has grown faster, and Brazil, for example, was only able to meet its export targets by negotiating a series of "special" deals with roasters at very competitive prices.



So far, despite the highly competitive markets, producers have been able to slow the decline in prices by well-organised support buying through the Bogota Fund.

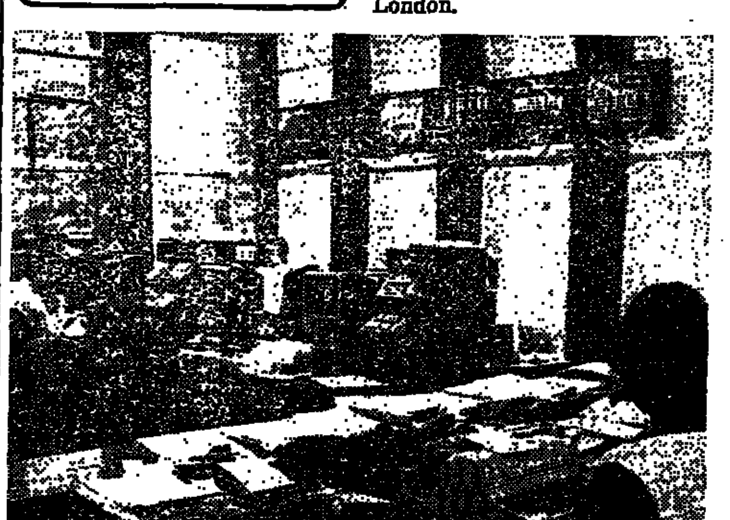
But it is believed that the cost has been high, and it is by no means certain that the newly-formed Pan Cafe group will be able to afford to operate as effectively.

At the same time, the producers' unilateral action in trying to achieve "reasonable" prices has stalled co-operation with consumers through the International Coffee Agreement. The U.S., in particular, has been angered by the producers' attempt to control the market.

The U.S. Commodities Futures Trading Commission has been attempting to find out details of Bogota Fund trading on the New York coffee futures market and in the process has raised the whole question of the confidential relationship between client and broker that is considered fundamental by many UK and European traders.

The London terminal market association is now providing an alternative hedging medium for trading in arabica coffee by relaunching the arabica futures market which previously failed through lack of support.

The relaxation of foreign exchange controls means the market's dollar contract can now also be used by UK citizens. The new market has got off to an encouraging start and it is anticipated that once volume builds up sufficiently it might well be used by the producers' group, which is primarily concerned with arabica coffee rather than the established robusta coffee market in London.



ContiCommodity's trading desk at the World Trade Centre, London. The firm concentrates exclusively on commodities trading

SOYABEANS, GRAIN, POTATOES AND WOOL

Record world crops

THE SOYABEAN meal futures market in London has proved to be something of a disappointment in failing to attract the kind of support hoped for by its backers.

But it is felt this may have been partly caused by the relative steadiness of soya in recent years because of record world crops which ensured more than adequate supplies.

Meanwhile, the home-grown grain futures markets in London for barley and wheat have attracted increasing support both from the trade and outside speculators.

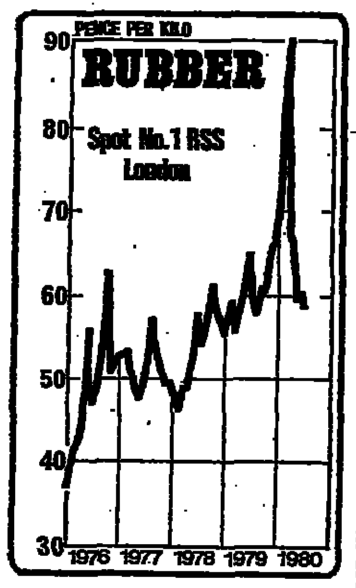
Turnover has now built up to much higher levels, after many years of poor support, and this is likely to continue with the international and domestic grain companies now using the markets in a much bigger way.

It is hoped that the newly-launched potato futures market, established in the Baltic Exchange next to the grain markets, will benefit from the greater awareness in the agricultural industry of the role of futures trading.

Another new market off to a surprisingly good start has been the relaunched cross-bred wool contract, quoted in New Zealand dollars, and aimed specifically at the New Zealand trade.

After a slow start, interest has been stimulated by the introduction of innovation in futures trading. Although the market is based in London, overnight trading is also encouraged in New Zealand.

This "kerb" trading is then registered in London the following morning and added to the general turnover.



RUBBER

Not much bounce

NATURAL RUBBER prices have fluctuated wildly in the past year but now appear to be settling down to a period of depression, reflecting the poor state of demand, especially from the hard-hit tyre industry.

The No. 1 RSS spot price hit a record 90p a pound earlier this year during the gold and silver "boom" as speculators rushed into any commodity market where the supply-demand fundamentals looked good. The resultant collapse was even more spectacular, as speculators moved out of a highly overbought market.

Prices have now steadied at about 60p a pound, but short-term prospects are far from good.

However, the long-term outlook for natural rubber remains promising, with the rise in oil prices increasingly undermining the competitiveness of synthetic rubber.

It is hoped that the International Rubber Agreement between producing and consuming countries, which is due to come into force soon, will bring some stability to the market. Although the price range in the agreement is still below present depressed market levels, it should provide a safety net for producers against a really disastrous fall.

At the same time it can be expected that the price range will gradually be raised to encourage producers to expand output sufficiently to meet the long-term growth in demand which has been forecast.

COCOA

Downward trend

COCOA PRICES have sunk to the lowest levels for over four years after an unsuccessful attempt by producers to control the market.

A surplus of world production over demand for three years in succession has been the underlying influence exerting downward pressure on cocoa prices

A build-up in output by Brazil and the Ivory Coast, which has now ousted Ghana from its previous position as the world's number one producer, has arisen at a time when demand has to feel the effects of high prices during recent years.

Chocolate manufacturers have turned to substitutes where possible and used all kinds of available means to reduce their use of cocoa.

The developing recession in the Western cocoa consuming countries and a cut in purchase by the Communist bloc have hit demand hard at a time when production has risen steadily with no major crop setbacks for several years.

Worried by the decline in prices to uneconomic levels, the Ivory Coast, encouraged by Brazil, last year decided to withdraw from the market in the hope of forcing prices to more reasonable levels.

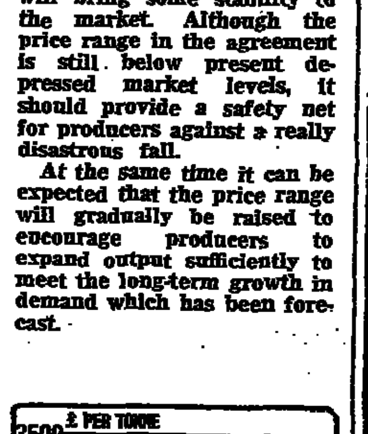
The leading producers agreed to consider a plan to create their own market support system, similar to the Bogota Fund used in the coffee market. It was suggested that the accumulated buffer stock fund of the International Cocoa Agreement could be used for this purpose, if consuming countries failed to meet producers' demand for a much higher minimum price of 120 cents a lb.

However, although the International Cocoa Agreement collapsed in a bitter dispute, it soon became apparent that several producing countries were prepared to sell at lower price levels, thus leaving the Ivory Coast with a costly surplus of cocoa.

Futher attempts by producers to get together also failed, and the Ivory Coast eventually agreed to sell 100,000 tonnes direct to a consortium of consumers—one of the biggest ever single deals in the cocoa market.

Brazil as a result abandoned its minimum export price of 120 cents, and the market has become a free-for-all.

Negotiations may be resumed to rescue the International Cocoa Agreement, but the minimum price could still be a major stumbling block.



Wall St. mixed at mid-session

WITH SOME traders taking profits on recent gains, Wall Street put on a rather mixed performance yesterday morning in fairly active trading.

The Dow Jones Industrial Average was a marginal 0.52 easier at 873.29 at 1 pm, but the NYSE All Common Index added 9 cents more to $65.55 and gains led declines by a narrow margin. Trading volume totalled 25.24m shares at the 1pm count.

Analysts said news that consumer prices rose 0.9 per cent in May, the same as in April, was expected and had little impact on stock market trading.

Interest rates eased in the credit market. However, much of the recent market rally has resulted from sharply falling interest rates, and the pace of declines in rates has slowed recently.

Disappointing news about drilling by Mobil off Newfoundland temporarily depressed some Oils. Mobil reported initial production tests on its 0-35 well and analysts said the flow rates were below expectations. Mobil opened off 1¼, but later firmed to show a net gain of ½ at $73¾.

Among partners in the well, Gulf Oil eased ¼ to $41⅞ and Columbia Gas $1 to $38, but Standard Oil of California added ¼ at $78. Gulf Canada put on ½ at $27½ on the American Exchange.

Volume leader TRW receded 1¼ to $39. A block of 463,500 shares were moved at $39. Sabine jumped 4¼ to $42¾. It could not explain the rise.

Active National Semiconductor reported sharply higher fiscal fourth-quarter net profits and rose $1 to $23¼. IBM, which announced plans to make semiconductors in Japan, gained ½ to $59¼.

Thiokol, which declared a two-for-one stock plit and raised the dividend, added 1⅞ at $51⅞.

THE AMERICAN SE Market Value Index rose 1.26 more to 288.06 at 1 pm. Volume 2.44m shares.

Closing prices for North America were not available for this edition.

Canada

Markets were mixed with a firmer bias in Canada after light early trading. The Toronto Composite Index was 0.5 up at 2,019.4 at noon, while eight of 14 sub-indices were ahead. Advances led declines by 148 to 123 on the Toronto Exchange.

Golds were broadly higher as Dome Mines rose C$2 to C$99, Sigma Mines ½ to C$34 and Camflo Mines ½ to C$22¾.

Tokyo

With active profit-taking occurring in Blue Chips and Populars, the market mainly retreated yesterday in another fairly large turnover, following Monday's advance on the landslide victory by the ruling Liberal Democratic Party (LDP) in Sunday's General Election.

Many investors had become reserved, with their attention now focused on who will become successor to the late Prime Minister Masayoshi Ohira now that the LDP have been returned to power.

Foreign investors actively bought Blue Chips, but this was more than offset by profit-taking by Japanese investors.

The Nikkei-Dow Jones Average receded 54.52 to 6,806.37 and the Tokyo SE index 1.91 to 471.64, while falls outnumbered rises on the First Market section by 389 o 281 after volume of 350m shares (300m).

Sony lost Y40 to Y2,260, Nippon Victory Y30 to Y1,660, Alps Electric Y28 to Y935, Matsushita Communication Y30 to Y1,790, Honda Y10 to Y570 and Canon Y10 to Y650, but TDK Electronic put on Y30 to Y2,320.

Trading Houses weakened Mitsubishi dipping Y17 to Y651, while Oils continued to fall, Nippon Oil shedding Y70 to Y1,700, but some speculatives advanced.

Australia

A report from the Venice summit conference that Western nations planned to double coal consumption over the next 10 years to reduce dependence on oil prompted buying interest in Coal Mining issues. Shale Oil shares continued to advance after absorbing profit-taking, but other Oil issues tended to relinquish some of their recently gained ground. Profit-taking brought some Mining leaders down, but the overall picture in Minings as well as Industrials was mixed.

Among Coals, Howard Smith rose 70 cents to A$9.00, Utah 10 cents to A$5.00 and Oakbridge also 10 cents to A$4.55.

In the Shale Oils sector, Greenvale added 30 cents at A$3.25 and Esperance also 30 cents at A$3.80.

Santos, among Oils, shed 40 cents to A$14.00, while Vamgas lost 30 cents to A$6.20 and Crusader 10 cents to A$3.60.

Mining leaders to decline included CRA, off 14 cents at A$5.40, and Bougainville, 9 cents down at A$2.35, but Consolidated Goldfields put on 10 cents to A$7.10.

Hong Kong

After Monday's general market upsurge and subsequent partial reaction on profit-taking on Sir Y. K. Pao's successful cash counter-bid to raise his stake in Hong Kong and Kowloon Wharf to 49 per cent, shares mainly eased yesterday morning. But the market began to pick up near the close to leave mixed movements on the day on thoughts that Sir Y. K. Pao, through World International, might bid for the outstanding shares in HK Wharf, which would comply with the ruling of Hong Kong's Committee on Take-overs that a general offer should be made.

Following the close of trading, however, Wardley, acting on behalf if Sir Y. K. Pao, disclosed that he and his family would not seek a further holding in Wharf beyond the 49 per cent already held.

World International ended 17½ cents down at HK$4.075, while Hong Kong Land, which made the initial bid for 49 per cent of Wharf, was unchanged at HK$12.80. Wharf shares remained suspended at HK$77.00.

Cheung Kong gained 10 cents to HK$15.10, but Hongkong Bank lost 10 cents to HK$15.70. Hong Kong Electric, HK$6.20, Hutchison Whampoa, HK$9.15, and Jardine Matheson, HK$17.30, were all unchanged on the day.

Germany

A strong Domestic Bond market encouraged further buying of German shares yesterday, but some gains were trimmed by late profit-taking. The Commerzbank index gained 4.8 more at 736.0.

Deutsche Bank put on DM 1.40, while Karstadt, in Stores, rose DM 4, Thyssen, in Steels, DM 1.90, and Brown Boveri, in Electricals, DM 2.50. However, Deutsche Babcock declined DM 4 to DM 206, with Bourse sources citing the company's decision to issue a lower dividend as the reason for the weakness.

On the Domestic Bond market, Public Authority Loans rose by as much as 40 pfennigs. The Bundesbank sold DM 17.8m nominal of paper after sales of DM 4.7m on Monday. Mark Eurobonds were mostly steady.

Paris

Share prices tended firmer in moderate trading with no new fundamental factors apparent, dealers said.

They noted the announcement of a smaller May rise in French retail prices came too late to have a major effect on the market.

Johannesburg

Gold shares were modestly firmer on the Bullion price improvement after active afternoon trading, with reasonable overseas demand noted.

Market sentiment affected by jobbing firm closure
Gilts falls to 7/8 and 30-share index loses 7.1 to 462.7

Account Dealing Dates Options

*First Dealings	Declara-tions	Last Dealings	Account Day
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug. 4

* "New time" dealings may take place from 9 am two business days earlier.

Dealers on the floor of the House were stunned yesterday by the non-appearance in the Gilt-edged market of Wedd and Owen, and the market turned extremely nervous on the subsequent announcement that the firm, the oldest in the market, had ceased to trade. Although no financial troubles are expected following the firm's decision, the development had an adverse psychological impact on the whole stock market scene and focused attention on the increasing cost burden being carried by most of the smaller jobbing firms.

Uneasy on Monday because of increasing signs of the business recession, equity markets, in particular, became further unsettled by the Wedd and Owen closure and backed away from sales by holders nervous of similar developments in the future. Talk that leading dealers had enough stock on their books and had no wish to extend their commitments aggravated matters. Thorn EMI led the rout, falling 18 to 276p on reports that the proposed sale of the EMI scanner business to General Electric of the U.S. could violate U.S. Anti-Trust laws.

The Venice summit agreement to reduce substantially the use of oil in the next decade additionally affected the Oil sector, while overall sentiment in equities was also influenced by some concern over the increasing number of fund-raising operations, either by rights issues or share placings. A partial rally got under way just before the official close and went on in after-hours' trade and the FT 30-share index, 8.1 lower at 3.00 pm, closed a net 7.1 down at 462.7.

Opening easiness in the Gilt-edged sector was soon extended and in this market, too, there was evidence of nervous selling. Attempts to recover failed to hold and longer-dated stocks closed with losses stretching to ⅞, thus lessening this morning's chances of a good application for either the new £30-paid long tap, Treasury 13 per cent 2000, or the shorter £40-paid issue, Exchequer 12½ per cent 1985 "A." Falls among the shorts, however, were limited to ⅜.

Traded options continued to reflect the dull performance of the underlying prices and only 664 deals were arranged. This was much in line with Monday's 693 but well down on last Friday's 1,196. Grand Metropolitan again attracted a useful business with 116 contracts completed.

Clive dip and rally

Marked down to 42p on the proposed £2m rights issue, Clive Discount met support at the lower level and closed only 2 cheaper on balance at 46p. Other Discount Houses closed mixed. The major clearers turned dull with Lloyds 6 lower at 322p and Midland 7 off at 363p. Hambros, a particularly good market of late on the preliminary results, came back 16 to 487p on profit-taking.

Breweries turned easier and, although scattered support was noted at the lower levels, most finished at the day's lowest. Whitbread, 158p, and Bass, 229p, fell 6 and 5 respectively, while Allied shed 2½ at 82½p.

A touch harder at first, leading Buildings encountered light selling which left Blue Circle a couple of pence cheaper at 348p and London Brick a penny off at 75p. Taylor Woodrow, however, hardened 4 to 410p; the interim results are due soon. Timber shares, overshadowed recently by Mallinson-Denny's £10.7m rights issue proposal at 52p per share, gave further ground. Mallinson-Denny lost 2 for a fall since the announcement of 16 to equal the offer price, while Montague L. Meyer shed 3 to 94p and Magnet and Southerns eased 5 to 165p. Elsewhere, Feb International, 45p, and the "A," 42p, were marked 6 and 7 higher respectively in an attempt to establish a trading level. British Dredging, however, shed a penny to 20p on the increased annual loss.

ICI closed 4 cheaper at 378p, after 376p, as scattered selling developed.

UDS down

Having performed well over the past few weeks, Store leaders succumbed to profit-taking and, although selling was light, falls ranged to 6. British Home eased that much to 294p, while the chairman's warning of lower interim profits clipped 4 from UDS, 68p. Marks and Spencer gave up 3 to 91p in front of today's annual meeting, while House of Fraser, 130p, and GUS "A," 428p, both shed 4. Up 8 on Monday helped by the chairman's statement at the annual meeting, Grattan reacted 4 to 68p. Fellow mail-order concern Empire, also shed 4, to 150p. Support was also lacking for Lee Cooper, 7 off at 193p, and for Bambers, 5 cheaper at 44p, but Comet Radiovision provided a rare upward movement in adding a couple of pence to 88p.

Electricals were featured by the drop of 18 to 276p in Thorn EMI following news that the U.S. Justice Department intends to block the proposed scanner deal with General Electric of the U.S. Elsewhere, GEC trended easier in the early dealings, but rallied to close 4 better on balance at 400p. The surprise rights issue which accompanied the preliminary results caused selling of Ferranti which fell quite sharply to 513p, before staging a useful rally to finish 11 down on the day at 542p.

Occasional selling was evident in the Engineering leaders, GKN reacting 5 to 248p and Tubes 4 to 272p, while Vickers gave up 2 to 128p. Against the trend, Hawker traded firmly at 204p, up 4. Following the agreed bid of 109p per share from Dobson Park, dealings restarted in Wolf Tools at 106p compared with the suspension price of 62p. Favourable Press mention stimulated buying interest in Richardson Westgarth, 2 dearer at 45p, and in Mining Supplies, 4 higher at 99p, but Tecalemit came on offer after the preliminary figures and proposed a one-for-two scrip issue and lost 5 to 75p, while the sharp fall in the interim profits left Cronite 2 lower at 34p. Westland eased 3 further to 92p, while other dull spots included IMI, down 4 at 58p, and Delta Metal, 2½ lower at 57p. On the other hand, buyers showed interest in Wellman Engineering which gained 6 to 63p.

Leading Foods had a distinctly dull look, Cadbury Schweppes shedding 1½ to 60p, Unigate 3 to 127p and Associated Dairies 6 for a two-day fall of 10 to 182p, the last-mentioned following adverse Press comment. Tate and Lyle, a rising market of late on expectations of a strengthening sugar price, lost 4 to 138p. Following news of the company's agreement to acquire Ward Foods' Pie-Crust product line for $36m, United Biscuits closed 2 cheaper at 78p, after 77p. Elsewhere, Nichols (Vimto), still responding to the recent acquisition of Solent Canners, firmed 15 in a thin market for a gain of 65 to 375p since the announcement.

Trusthouse Forte were notably dull in Hotels and Caterers, losing 5 to 190p awaiting today's half-yearly results.

Wilkinson Match react

Poor annual results prompted selling of Wilkinson Match which closed 9 lower at 113p, while further consideration of the preliminary figures caused a reaction of 6 to 70p in Whitecroft. Standard Fireworks, down 8 at 90p, were unsettled by news that the Stanley Racing Group had sold its stake of just over 22 per cent in the company, but satisfactory trading statements left Halma 2 firmer at 79p and Giltspur, 4 higher at 65p. Sketchley firmed 2 more to 256p following the full report. The chairman's forecast of a substantial fall in first-half profits prompted a reaction of 3 to 42p in Silentnight, while nervous offerings awaiting Thursday's preliminary results left Associated Communications 6 cheaper at 92p. Chubb, annual results due today, eased 5 to 93p. De La Rue fell 15 to 695p in a restricted market, while Cawoods, down 8 at 196p, reflected dullness in the oil sector. Turner and Newall firmed 2 to 112p with the aid of favourable Press mention.

A rising market of late awaiting the half-yearly results, Trident TV A slipped to 51p on the announcement before settling at 52p for a net loss of 3.

The chairman's bearish comments on current trading which accompanied the reduced mid-term earnings left Kenning 2½ cheaper at 61½p. Henlys, interim due tomorrow, eased the turn to 73p. Elsewhere in Motors, Rolls-Royce attracted good investment support and firmed 3 to 57p, but ERF again met sellers and fell 3 more to 65p.

Oils on offer

Certain Properties lost ground, but selling was light. Land Securities finished 3 cheaper at 322p, after 320p, while the new nil paid shares ended 2 off at 62p premium, after 60p premium. Elsewhere, falls of around 5 were seen in Percy Bilton, 190p, Fairview Estates, 268p, and Rush and Tompkins, 212p, but Control Securities added a couple of pence to 47p in response to the satisfactory annual results and proposed one-for-10 scrip issue. Laganvale Estates held at 41p; Mr. Jim Slater's Strongmead has increased its stake in the company to 13.3 per cent. Hong Kong Land, 112½p, retained the previous day's gain of 5; the company's tender offer for Hongkong and Kowloon Wharf has lapsed.

Sentiment in the Oil sector was not helped by the decision at the economic summit in Venice to cut back consumption of oil over the next 10 years. Selling was not heavy, but offerings found the market unwilling although quotations closed above the worst following some late support. Lasmo ended 15 lower at 693p, while Ultramar finished 12 cheaper at 370p.

In Financials, BKT at 138p, almost relinquished the previous day's rise of 9.

Shippings were noteworthy only for a rise of 8 to 268p in Lyle.

Down 3 on Monday following Imperial's £11m placing of its remaining stake in the company, Bats continued to attract scattered selling and closed 10 easier at 263p. Imperial fell 2½ to 84p.

Quiet mines

Mining markets became a lot quieter than of late, with the notable exception of a number of the Australian speculative issues.

In the latter sector, a further flurry of buying and strong overnight demand in Sydney and Melbourne lifted Greenvale Mining 33 more to 155p, after 165p, and Esperance Minerals 23 to 193p; prior to last Friday's announcement of an oil-shale find in Queensland, Greenvale were changing hands around 60p and Esperance around 120p.

Other oil-shale explorers showed International Mining—involved in another prospect with Greenvale and Esperance—a further 3 higher at 43p, a rise of 18 over the past three trading days.

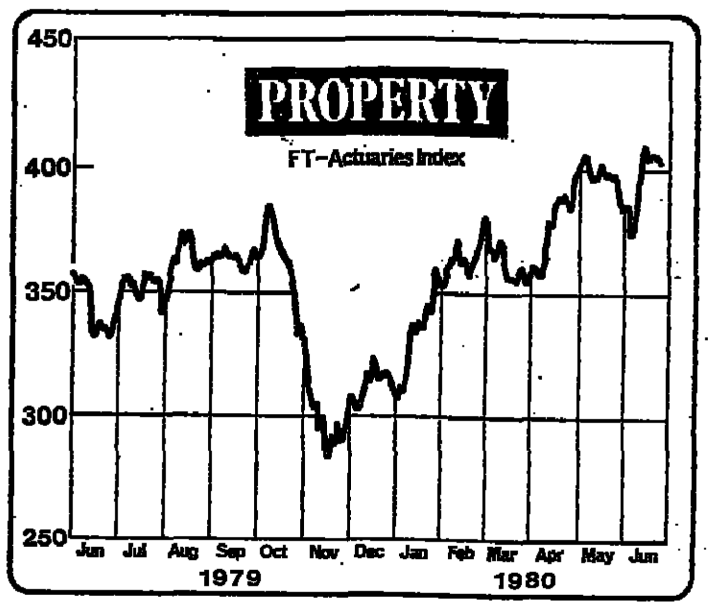
The Rundle twins encountered sizeable profit-taking, however. Central Pacific Minerals gave back £1½ to £32⅝ and Southern Pacific Petroleum ¼ to £11¼.

Profit-taking also affected Haoma and North West Mining which have interests in the Lockton East No. 1 well in Yorkshire. The well is expected to reach target depth in a day or so. Haoma slipped 4 to 88p and North West Mining 5 to 73p.

South African Golds staged a minor rally as the Financial Rand recovered a shade and the bullion price moved up $8 to $604.50 an ounce.

Initial buying from Johannesburg was followed by persistent Continental and American interest and share prices gradually improved to close at the day's highs. The Gold Mines index advanced 4.8 to 324.5.

London Financials came in for renewed profit-taking; Selection Trust fell ¼ to £10⅞, Rio Tinto-Zinc 5 to 420p and Charter 2 to 193p, the last-named following the results. Gold Fields rose 7 to 497p following publication of the group's "Gold 1980" report which indicated a sharp fall in gold supply this year.



LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	330	40	—	58	4	74	10	365p
BP	360	20	3	39	1	56	5	"
BP	390	6	3	23	—	32	—	"
Com. Union	120	30	3	36	—	38	10	148p
Com. Union	140	11	7	16	20	23	—	"
Com. Union	160	2	—	7	2	12	—	"
Cons. Gold	460	46	25	75	—	85	—	496p
Cons. Gold	500	18	15	44	2	62	—	"
Cons. Gold	550	3	13	21	15	—	—	"
Courtaulds	60	12	17	16½	—	18	1	71p
Courtaulds	70	5	26	8½	7	10½	—	"
Courtaulds	80	1½	—	4	12	6½	11	"
Courtaulds	90	½	2	—	—	—	—	"
GEC	330	71	7	88	—	96	10	394p
GEC	390	15	15	34	11	50	6	"
GEC	420	3½	35	19	11	34	1	"
Grand Met.	120	35½	—	38½	—	41½	21	153p
Grand Met.	130	25½	25	29	2	35	3	"
Grand Met.	140	15½	20	21½	11	27	—	"
Grand Met.	160	4½	12	11½	20	16½	2	"
ICI	330	50	1	62	—	71	—	377p
ICI	390	7	10	18	—	32	—	"
Land Secs.	293	33	1	46	—	59	—	321p
Land Secs.	323	11	9	26	6	38	—	"
Land Secs.	353	2	—	12	6	23	—	"
Marks & Sp.	80	12½	14	18	5	20	—	92p
Marks & Sp.	90	4½	14	10½	1	13½	1	"
Shell	360	44	5	56	—	68	—	397p
Shell	420	5½	18	16	4	28	—	"
Totals			299		140		81	
		August		**November**		**February**		
Imperial Gp.	70	17	5	18½	—	21	—	85p
Imperial Gp.	80	7	—	9	6	12	—	"
Imperial Gp.	90	2½	18	5	8	6½	4	"
Lonrho	70	26½	—	28	—	29	10	93p
Lonrho	80	16½	—	18½	5	20	—	"
Lonrho	90	9	49	11½	1	14	—	"
Lonrho	100	4	10	7	—	9	1	"
P. & O.	110	10½	2	16	—	19	—	117p
P. & O.	120	5½	2	11	—	14	—	"
RTZ	360	67	2	85	—	100	—	419p
RTZ	390	40	2	60	4	80	—	"
RTZ	420	25	12	42	—	60	—	"
RTZ	500	6	3	—	—	—	—	"
Totals			105		24		15	

FINANCIAL TIMES STOCK INDICES

—	June 24	June 23	June 20	June 19	June 18	June 17	A year ago
Government Secs.	69.65	70.05	70.53	69.95	70.39	69.89	70.58
Fixed Interest	70.90	70.84	70.84	70.66	70.64	70.11	72.77
Industrial	462.7	469.8	471.8	466.4	473.1	469.0	475.2
Gold Mines	324.5	319.7	326.1	324.2	331.4	326.5	178.4
Ord. Div. Yield	7.75	7.65	7.62	7.59	7.58	7.64	5.90
Earnings, Yld. %(full)	18.65	18.41	18.34	18.56	18.27	18.42	16.07
P/E Ratio (net) (*)	6.53	6.61	6.64	6.56	6.66	6.61	7.93
Total bargains	19,891	29,699	21,972	23,114	29,475	26,446	—
Equity turnover £m.	—	128.56	141.33	136.84	120.85	172.51	71.15
Equity bargains total	—	16,402	16,882	17,693	16,962	19,937	11,778

10 am 466.9. 11 am 464.4. Noon 463.0. 1 pm 462.5. 2 pm 461.9. 3 pm 461.7.

Latest Index 01-246 8026.

* Nil = 6.10.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	70.53 (20/6)	63.85 (7/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.90 (24/6)	64.70 (10/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	478.5 (15/2)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	377.9 (29/2)	265.5 (18/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 24	June 23
—Daily		
Gilt Edged	132.4	157.0
Industrials	125.0	128.4
Speculative	50.0	58.1
Totals	88.6	94.8
5-day Avge.		
Gilt Edged	138.3	143.9
Industrials	128.9	137.0
Speculative	53.4	51.1
Totals	93.2	98.2

NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (55)

CORPORATION LOANS (6)
Bath 11¾pc 1985 — Herts. 6½pc 1985-87
Burnley 13pc 1987 — LCC 5½pc 1985-87
Cardiff 11pc 1986 — Do. 5½pc 1988-90

COMMONWEALTH AND AFRICAN LOANS (1)
Aust. 6pc 1981-83

FOREIGN BONDS (1)
Ireland 9¾pc 1991-96

AMERICANS (2)
[illegible]

BUILDINGS (3)
Cakebread Robey A — Taylor Woodrow
Feb Int.

STORES (1)
NSS Newsagents

ELECTRICALS (6)
GEC — Victor Products
Christy Brothers — [illegible]
Mining Supplies

ENGINEERING (4)
Richardson Westgarth — [illegible]

INDUSTRIALS (6)
Biddle — Jourdan (T.)
Davies & Newman — Morgan Crucible
Franklin Mint — Pritchard Services

INSURANCE (1)
Marsh & McLennan

LEISURE (1)
Rediffusion

NEWSPAPERS (1)
Wilson Bros.

PROPERTY (3)
Allnatt London — Swire Props.
Finance & Ind. — Stock Conversion
Land Lease

SHIPPING (2)
Fisher (J.) — Lyle Shipping

TRUSTS (15)
Bankers Inv. — Guardian Inv. Trust
Brit. Empire Secs. — Hambros
Derby Trust Cap. — Murray Glendevon
Dominion & General — Prog. Secs. Inv.
Drayton Far Eastern — St. Andrew Trust
English, Scottish Inv. — Sphere Inv.
Gen. & Commercial — U.S. & General
Gresham House

OVERSEAS TRADERS (1)
Gill & Duffus

MINES (2)
East Daggafontein — [illegible]

NEW LOWS (19)

STORES (1)
Raybeck

ENGINEERING (4)
Black & Decker — Edbro
Cronite — United Wire

INDUSTRIALS (10)
Burco Dean — Jacksons Bourne End
[illegible]

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	117	432	849
Financial and Prop.	55	184	258
Oils	6	32	17
Plantations	3	3	20
Mines	68	32	57
Others	55	30	78
Totals	325	789	1,327

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Tues., June 24, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon., June 23 Index No.	Fri., June 20 Index No.	Thurs., June 19 Index No.	Wed., June 18 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	250.92	−0.4	17.67	6.43	6.95	251.88	251.70	249.87	251.40	241.96
2	Building Materials (28)	245.90	−0.7	18.25	6.71	6.51	247.57	245.95	246.36	249.24	222.78
3	Contracting, Construction (27)	371.57	−0.4	25.18	6.51	4.77	372.93	368.85	369.23	369.83	358.14
4	Electricals (16)	668.56	+0.2	12.38	3.65	10.49	667.00	668.37	658.28	664.27	574.52
5	Engineering Contractors (11)	303.79	−0.6	22.35	8.53	5.61	305.54	305.32	306.55	303.70	362.08
6	Mechanical Engineering (74)	167.93	−0.2	19.13	7.91	6.41	168.27	168.71	167.15	168.41	184.14
8	Metals and Metal Forming (16)	164.98	−2.0	22.02	10.29	5.44	168.32	168.72	167.72	166.45	167.54
11	CONSUMER GOODS (DURABLE) (49)	216.24	−1.6	15.23	5.95	8.03	219.81	221.45	221.36	222.08	230.53
12	Lt. Electronics, Radio, TV (14)	315.62	−1.9	11.64	4.31	10.95	321.64	324.70	324.67	326.38	314.48
13	Household Goods (14)	98.38	−1.3	30.05	10.75	3.96	99.64	99.96	99.16	99.11	159.99
14	Motors and Distributors (21)	101.36	−1.0	22.79	9.80	5.09	102.34	102.57	102.60	102.38	118.09
21	CONSUMER GOODS (NON DURABLES) (172)	229.01	−1.9	18.06	6.98	6.68	233.45	234.08	231.91	233.51	234.06
22	Breweries (14)	285.94	−2.4	15.41	6.35	7.66	292.85	292.42	289.66	293.39	270.75
23	Wines and Spirits (5)	301.13	−1.5	18.09	6.20	6.81	305.79	307.12	304.47	308.50	300.80
24	Entertainment, Catering (17)	332.40	−2.2	17.37	6.71	7.14	339.75	340.01	336.27	338.25	306.66
25	Food Manufacturers (21)	205.07	−0.6	19.58	7.29	6.01	206.31	205.63	204.86	203.40	214.80
26	Food Retailing (13)	327.84	−1.5	12.88	4.83	9.27	332.83	335.55	329.94	330.94	295.20
32	Newspapers, Publishing (13)	431.03	−1.4	22.15	6.78	6.10	437.12	438.17	439.35	439.26	429.77
33	Packaging and Paper (15)	131.13	−1.4	27.34	9.51	4.23	133.06	133.21	133.65	135.09	128.48
34	Stores (42)	222.88	−2.1	13.78	5.53	9.35	227.60	229.09	226.54	229.86	235.84
35	Textiles (24)	127.16	−3.0	25.56	12.21	4.77	131.09	132.00	131.14	132.78	164.64
36	Tobaccos (3)	221.75	−3.3	27.50	10.44	4.12	229.36	230.17	226.34	225.66	239.70
37	Toys and Games (5)	28.08	−0.5	43.31	13.58	2.68	28.22	27.69	27.19	26.83	74.64
41	OTHER GROUPS (99)	214.61	−1.1	17.37	7.16	6.85	217.06	217.26	216.64	217.85	202.12
42	Chemicals (16)	312.64	−1.0	20.05	7.70	5.72	315.82	316.99	315.44	317.43	285.71
43	Pharmaceutical Products (7)	213.68	−0.8	11.95	6.46	10.31	215.49	216.35	215.56	217.87	217.23
44	Office Equipment (6)	108.46	−1.4	20.08	7.65	5.70	110.05	110.55	109.81	110.44	118.84
45	Shipping (10)	540.67	−0.6	13.57	6.53	8.92	544.07	540.52	541.29	542.53	467.09
46	Miscellaneous (60)	258.95	−1.4	17.60	7.02	7.00	262.67	262.04	261.87	262.70	240.34
49	INDUSTRIAL GROUP (492)	237.46	−1.3	17.60	6.81	6.87	240.61	241.02	239.43	240.90	235.21
51	Oils (8)	805.51	−0.6	28.64	6.39	3.85	810.22	812.41	807.79	820.89	702.09
59	500 SHARE INDEX	282.30	−1.2	19.97	6.72	5.88	285.59	286.14	284.31	286.66	272.56
61	FINANCIAL GROUP (118)	217.44	−1.1	—	5.78	—	219.90	219.39	217.44	219.71	187.56
62	Banks (6)	236.35	−1.3	41.38	6.88	2.96	239.53	242.02	238.59	243.90	231.17
63	Discount Houses (10)	265.07	−0.5	—	6.66	—	266.48	265.79	266.14	266.23	252.98
64	Hire Purchase (5)	213.26	−1.6	14.65	4.70	8.86	216.69	216.26	216.26	217.13	162.30
65	Insurance (Life) (10)	203.38	−1.6	—	6.26	—	206.61	204.32	202.80	203.03	154.97
66	Insurance (Composite) (9)	143.82	−1.2	—	7.48	—	145.56	143.99	142.31	143.90	121.47
67	Insurance Brokers (9)	313.21	−1.9	14.83	7.31	9.26	319.40	318.46	318.79	316.98	261.48
68	Merchant Banks (13)	126.93	−1.3	—	5.26	—	128.61	124.85	122.04	119.79	96.15
69	Property (45)	403.37	−0.6	3.38	2.87	42.03	405.86	406.61	405.27	410.09	334.69
70	Miscellaneous (11)	135.55	−0.5	16.21	6.44	7.84	136.18	135.06	134.07	134.95	121.22
71	Investment Trusts (109)	239.99	−0.6	—	5.79	—	241.03	239.55	239.44	237.38	210.02
81	Mining Finance (4)	220.26	−0.9	12.07	4.48	10.04	222.15	226.01	215.51	196.96	119.37
91	Overseas Traders (19)	387.15	−0.3	13.57	7.00	9.05	388.17	390.07	396.24	393.52	355.34
99	ALL-SHARE INDEX (750)	267.86	−1.1	—	6.43	—	270.81	271.14	269.17	270.39	248.46

FIXED INTEREST PRICE INDICES

	British Government	Tues., June 24	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	105.83	−0.17	—	4.99
2	5-15 years	111.07	−0.46	—	6.77
3	Over 15 years	114.78	−0.79	—	7.99
4	Irredeemables	131.81	−0.73	—	6.30
5	All stocks	118.21	−0.50	—	6.29

FIXED INTEREST YIELDS

	British Govt. Av. Gross Red.		Tues., June 24	Mon., June 23	Year ago (approx.)
1	Low Coupons	5 years	11.80	11.71	10.58
2		15 years	11.80	11.71	11.17
3		25 years	11.80	11.71	11.70
4	Medium Coupons	5 years	13.15	13.03	12.40
5		15 years	13.30	13.18	12.72
6		25 years	13.29	13.17	12.72
7	High Coupons	5 years	13.29	13.18	12.66
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	13.67	13.55	13.06
10	Irredeemables		11.17	11.08	11.48

		Tues., June 24 Index No.	Yield %	Mon. June 23	Friday June 20	Thurs. June 19	Wed. June 18	Tues. June 17	Mon. June 16	Fri. June 13	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	53.75	14.04	52.76	52.71	52.67	52.56	52.43	52.14	51.88	56.92
16	Investment Trust Prefs. (15)	48.42	14.00	48.42	48.42	48.42	48.42	48.42	48.38	48.09	48.58
17	Coml. and Indl. Prefs. (20)	64.59	13.90	64.41	63.78	63.76	63.59	63.44	63.10	63.16	69.10

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
LASMO	25p	10	693	−19	712	337
Shell Transport	25p	8	398	− 4	410	314
BAT Inds.	25p	7	263	−10	276	223
ICI	£1	7	378	− 4	402	348
Johnson Matthey	£1	7	332	—	332	205
Boots	25p	6	211	− 5	218	158
BP	25p	6	366	—	412	320
Courtaulds	25p	6	71	− 2	79	64
Ferranti	50p	6	542	−11	558	400
Grand Met.	50p	6	153	− 3	157	120
Land Secs. "New"	Nil/pd.	6	61pm	− 3	70pm	44pm
Premier Cons.	5p	6	90	− 3	98½	39½
RTZ	25p	6	420	− 5	485	327
Tesco Stores	5p	6	59	− ½	75	55
Thorn EMI	25p	6	276	−18	328	260

Dividends shown pence per share net except where otherwise stated.

OPTIONS

First Dealing	Last Dealing	Last Declaration	For Settlement
Jun. 9	Jun. 20	Sept. 11	Sept. 22
Jun. 23	Jul. 4	Sept. 25	Oct. 6
Jul. 7	Jul. 18	Oct. 9	Oct. 20

For rate indications see end of Share Information Service

Option business was reduced from recent levels with calls being arranged in Charter Cons., Silvermines, De Beers Deferred, Ranger Oil, Charterhall, Rustenburg Platinum, Lonrho, Phicom, Endeavour, Premier Oil and Christopher Moran. A put was done in FNFC, while a double was transacted in Charter Cons.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
55	F.P.	20/6	90	74	Home Farm Prods 10p	90	+2	b2.9	2.5	4.6	12.3
—	F.P.	—	9	3	††Jenkin & Purser	9	......	—	—	—	—
§83	F.P.	27/6	91	79	Oakwood Group	81	......	66.5	2.4	11.5	5.2
100	F.P.	27/6	110	93	Peerless	93	−2	b5.3	2.8	9.7	4.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
‖	F.P.	3/6	148	111	Automated Sec. 6% Cnv. Uns. Ln. '95	145	[illegible]
100	F.P.	—	99¼	[illegible]	Can. Imp. Bk. of Commerce 11⅞ Deb. 1985	99¼	
[illegible]	F.P.	—	[illegible]	[illegible]	Challenge Corp. 16pc Pref. NZ $2.00	[illegible]	
100	F.P.	22/8	101	98	Cowie (T.) 10¼% Conv. Red. Cum. Pref.	98	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Daiei 9% Conv. Bds. due 1995	[illegible]	
100	F.P.	4/9	102½	101½	Folkstone & District Water 10pc Pref '85	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	London & Midlands 8½pc Deb. '88-98	[illegible]	
[illegible]	F.P.	30/5	102	[illegible]	Mid Southern 10% Red Prf. 1985	[illegible]	
[illegible]	F.P.	18/6	116½	[illegible]	NSS Newsag's 10% Cnv. Uns. Ln. 1986-2000	[illegible]	
[illegible]	F.P.	27/6	[illegible]	[illegible]	North Brit. Props. 9% Cnv. Uns. Ln. 1995	[illegible]	
[illegible]	F.P.	4/9	[illegible]	[illegible]	North Surrey Water 10pc Pref. 1985	[illegible]	

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −
115	Nil	4/7	24pm	17pm	Brown & Jackson	33pm	[illegible]
100	Nil	3/7	40pm	32pm	Carless Capel	[illegible]	
68	Nil	29/6	[illegible]	[illegible]	Clifford's Dairies 'A'	[illegible]	
200	F.P.	—	[illegible]	[illegible]	Clyde Petroleum	[illegible]	
18	Nil	30/5	[illegible]	[illegible]	East Rand Cons.	[illegible]	
70	Nil	11/6	[illegible]	[illegible]	Elco	[illegible]	
16	Nil	30/6	[illegible]	[illegible]	Hawley Leisure	[illegible]	
263	Nil	—	70pm	44pm	Land Securities	[illegible]	
155	F.P.	3/6	[illegible]	[illegible]	Linfood	[illegible]	
118	Nil	—	[illegible]	[illegible]	Lloyds & Scottish	[illegible]	
126	Nil	[illegible]	[illegible]	[illegible]	Panocontinental	[illegible]	
60cts	Nil	[illegible]	[illegible]	[illegible]	Rugby Portland Cement	[illegible]	
54	F.P.	[illegible]	[illegible]	[illegible]	Silvermines	[illegible]	
58	F.P.	[illegible]	[illegible]	[illegible]	Stanley (A. G.)	[illegible]	
180	F.P.	[illegible]	[illegible]	[illegible]	Unitech	302	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. ‡ Dealings under special rule.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

King & Shaxson Mngrs.
[illegible]

Kleinwort Benson Limited
[illegible]

Lazard Brothers & Co. (Jersey) Ltd.
[illegible]

Lloyds Bk. (C.I.) U/T Mgrs.
[illegible]

Lloyds Bank International, Geneva
[illegible]

M & G Group
[illegible]

Management International Ltd.
[illegible]

Midland Bank Tst. Corp. (Jersey) Ltd.
[illegible]

Samuel Montagu Ldn. Agents
[illegible]

Murray, Johnstone (Inv. Adviser)
[illegible]

Nat. Westminster Jersey Fd. Mgrs. Ltd.
[illegible]

Negit S.A.
[illegible]

Negit Ltd.
[illegible]

N.E.L. International Ltd.
[illegible]

Pacific Basin Fund
[illegible]

Phoenix International
[illegible]

Providence Capitol Life Ass. (C.I.)
[illegible]

Quest Fund Mangmt. (Jersey) Ltd.
[illegible]

RBC Investment Managers Limited
[illegible]

Richmond Life Ass. Ltd.
[illegible]

Rothschild Asset Management (C.I.)
[illegible]

Rothschild Asset Mngt. (Bermuda)
[illegible]

Save & Prosper International
[illegible]

Schlesinger International Mngt. Ltd.
[illegible]

Schroder Life Group
[illegible]

J. Henry Schroder Wagg & Co. Ltd.
[illegible]

Sentry Assurance International Ltd.
[illegible]

Singer & Friedlander Ldn. Agents
[illegible]

Stronghold Management Limited
[illegible]

Surinvest (Jersey) Ltd.
[illegible]

Surinvest Trust Managers Ltd.
[illegible]

TSB Unit Trust Managers (C.I.) Ltd.
[illegible]

TSB Gilt Fund Managers (C.I.) Ltd.
[illegible]

Tokyo Pacific Holdings N.V.
[illegible]

Tokyo Pacific Hldgs. (Seaboard) N.V.
[illegible]

Tyndall Group
[illegible]

Utd. Intnl. Mngmnt. (C.I.) Ltd.
[illegible]

Union-Investment-Gesellschaft mbH
[illegible]

S. G. Warburg & Co. Ltd.
[illegible]

Warburg Invest. Mngt. Jrsy. Ltd.
[illegible]

Wardley Investment Services Ltd.
[illegible]

World Wide Growth Management
[illegible]

Wren Commodity Trust
[illegible]

NOTES
[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (b)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.♥ (a)(c)

Barclays Unicorn Ltd.♥ (a)(c)(g)

Baring Brothers & Co. Ltd.♥ (a)(x)

Bishopsgate Progressive Mgmt. Co.♥

Bridge Fund Managers (a)(c)

Britannia Trust Management (a)(c)(g)

The British Life Office Ltd.♥ (a)

Brown Shipley & Co. Ltd.♥ (a)(g)

Canada Life Unit Tst. Mngrs. Ltd.♥

Capel (James) Mngt. Ltd.♥

Carliol Unit Fd. Mgrs. Ltd.♥ (a)(c)

Cary, Sebag Unit Trust Managers

Charities Official Invest. Fund♦

Chieftain Trust Managers Ltd.♥ (a)(g)

Confederation Funds Mgt. Ltd. (a)

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Dartington Unit Tst. Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmnt. Ltd.

Equity & Law Un. Tr. M.♥ (a)(b)(c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends' Provdt. Unit Tr. Mgrs.♥

Funds in Court♥

G.T. Unit Managers Ltd.♥

G. & A. Trust (a) (g)

Gartmore Fund Managers♥ (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)♥

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)(b)(c)

Hill Samuel Unit Tst. Mgrs.† (a)

Investment Intelligence Ltd.♥ (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers♥

L & C Unit Trust Management Ltd.♥

Legal & General Tyndall Fund♥

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.♥ (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.♦

M & G Group♥ (y)(c)(z)

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt.♥ (a)

Mutual Unit Trust Managers♥ (a)(g)

National Provident Inv. Mngrs. Ltd.♥

National Westminster♥ (a)

NEL Trust Managers Ltd.♥ (a)(g)

Northgate Unit Trust Managers Ltd.♥ (c)(y)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt.♥ (a)

Practical Invest. Co. Ltd.♥ (y)(c)

Provincial Life Inv. Co. Ltd.♥

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)

Quilter Management Co. Ltd.♥

Reliance Unit Mgrs. Ltd.♥

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd.♥ (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Saturn Fund Management Limited

Save & Prosper Group♥

Schlesinger Trust Mngrs. Ltd. (a)(c)(g)

J. Henry Schroder Wagg & Co. Ltd.♥ (a)(c)

Scottish Equitable Fnd. Mgrs. Ltd.♥

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd.♥ (a)(g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers♥

Transatlantic and Gen. Secs. Co.♥ (c)(y)

Tyndall Managers Ltd. (a)(b)(c)

TSB Unit Trusts (y)

Ulster Bank♥ (a)

Unit Trust Account & Mgmt. Ltd.

[illegible]

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.♥

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.♥

Canada Life Assurance Co.

Cannon Assurance Ltd.♥

Capital Life Assurance♥

Charterhouse Magna Gp.♥

Chieftain Assurance Funds

City of Westminster Assurance

City of Westminster Assur. Soc. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life Ins. Co. Ltd.♥

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.♥

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Gartmore Bonds

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.♥

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.♥

Guardian Royal Exchange

Hambro Life Assurance Limited♥

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.♥

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'dom & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.♥

M & G Group♥

Manufacturers Life Insurance Co.

Merchant Investors Assurance♥

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.♥

Norwich Union Insurance Group♥

Phoenix Assurance Co. Ltd.

Planned Savings Group

Prop. Equity & Life Ass. Co.♥

Property Growth Assur. Co. Ltd.♥

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited♦

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group♥

Schroder Life Group♥

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Solar Life Assurance Limited

Standard Life Assurance Company♥

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions (a)(b)(c)

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.♥

Windsor Life Assur. Co. Ltd.

[illegible]

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bishopsgate Progressive—Ldn. Agents

Bridge Management Ltd.

Britannia Tst. Mngmt. (C.I.) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Craigmount Fixed Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity Mgmt. & Res. (Bda.) Ltd.

Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Frankfurt Trust Investment-GmbH

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Gartmore Fund Managers (C.I.) Ltd.

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Admin. (Guernsey) Ltd.

Henderson Baring Group

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Invest. Mgmt. Intnl.

N.V. Interbeheer

International Pacific Inv. Mngt. Ltd.

Jardine Fleming & Co. Ltd.

Leopold Joseph & Sons (Guernsey)

Kemp-Gee Management Jersey Ltd.

Keyser Ullman Ltd.

[illegible]

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1980 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100¾	97⅞	Exchequer 13pc 1980‡‡	99 7/16	......	13.07	14.14
99 5/16	96¾	Treasury 11½pc 1981‡‡	98¾xd	......	11.65	13.91
94⅝	90¾	Treasury 3½pc 1979-81	94	......	3.72	13.44
97⅞	93⅜	Treasury 9¾pc 1981‡‡	97 5/16	......	10.02	13.42
96¼	91¼	Exch. 8¼pc 1981	95 13/16	......	8.62	13.13
96⅝	92¼	Exch. 9½pc 1981	96 1/16	......	9.89	13.39
92⅜	85½	Exch. 3pc 1981	91⅞	......	3.27	10.75
98 11/16	96½	Treas. Variable '81§§	98⅞	......	16.42	16.91
99⅝	95 3/16	Exch. 12¾pc 1981‡‡	98¾	−¼	12.91	13.66
94⅝	88½	Treas. 8½pc '80-82‡‡	93 13/16xd	−3/16	9.06	13.82
90	82½	Treasury 3pc '82‡‡	89⅝	......	3.35	9.98
101⅝	96⅝	Treasury 14pc '82‡‡	100 13/16	−3/16	13.89	13.38
97¾	94¼	Treas. Variable '82§§	97¾	......	16.61	17.61
92⅝	86⅛	Treasury 8¼pc '82	92¼xd	−¼	8.94	12.72
92⅞	85⅝	Exch. 9¼pc 1982	92⅜	−¼	10.01	13.22
91⅞	85	Exch. 8¾pc 1983	91½xd	−¼	9.56	12.78
83¼	76½	Exch 3pc '83	82¼	......	3.63	10.59
97 15/32	90⅞	Treasury 12pc 1983‡‡	97 7/16	−⅜	12.32	13.10
95½	90⅝	Treas. Variable '83§§	95½	......	17.00	18.24
92 15/16	84½	Treasury 9½pc '83	91 7/16xd	−⅜	10.13	12.78
101 1/16	94¼	Exch. 13½pc '83	100 11/16	−⅜	13.41	13.20
92⅜	84½	Exch. 10pc 1983	92⅛	−¼	10.85	12.88
83¼	76½	Funding 5½pc '82-84‡‡	83⅛xd	+⅛	6.62	11.40
95	87¼	Exch. 11¼pc 1984	94 11/16	−5/16	11.88	13.08
103	94½	Exchequer 14pc 1984	102⅝	−⅜	13.64	13.09
74⅞	68¼	Exch. 3pc 1984	74½	−¼	4.03	11.09
98	88⅝	Treasury 12pc 1984	97⅝	−⅜	12.29	12.78
107¼	98	Treasury 15pc 1985	106⅞	−⅜	14.04	12.95
69 1/16	69	Treasury 3pc 1985	69 1/16	......	4.34	11.41

Five to Fifteen Years

1980 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100¼	90⅛	Exch. 12¼pc 1985	99	−⅛	12.52	12.78
—	—	Exch 12¼pc '85A(£40pd)*	£98¼	......	12.47	12.70
87¾	79¼	Treasury 8½pc '84-86‡‡	86xd	−¼	9.84	11.72
103⅝	91	Exch. 13¼pc 1987	100⅞xd	−⅛	13.11	13.00
79⅝	70⅞	Funding 6½pc '85-87‡‡	79¼	−⅛	8.30	11.11
82½	72¼	Treasury 7¾pc '85-88‡‡	78⅞xd	−¼	9.81	12.05
61¾	54⅞	Transport 3pc '78-88	61¼xd	−⅛	4.89	10.18
96	83	Treasury 11½pc 1989	95⅛	−⅜	12.61	13.21
66¼	58⅜	Treasury 5pc '86-89	65⅝	−¼	7.76	11.26
100¼	89¼	Treasury 13pc 1990‡‡	98⅝xd	−⅜	13.09	13.12
78⅛	69⅞	Treasury 8¼pc '87-90‡‡	77	−⅝	10.75	12.36

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

1980 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
61¾	56½	Agric. Mt. 5pc '59-89	61xd	+½	8.18	12.24
80	73½	Alcan 10½pc '89-94	78xd	......	13.46	14.20
28½	25	Met. Wtr. 3pc 'B'	28½	......	10.89	12.95
103	89	U.S.M.C. 9pc 1982	100xd	......	9.80	—
92	85½	Do. without Warrants	90xd	......	10.00	12.95

LOANS—Continued

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

1980 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
244	202	ANZ $A1	225xd	......	†Q22c	3.7	5.0	5.4
250	183	Alexanders D. £1	250	+2	16.0	—	9.1	—
£76½	£56	Algemene Fl.100	£64½	......	Q25%	1.9	7.8	6.9
365	290	Allen Harvey £1	365	+5	21.5	—	8.4	—
128	96	Allied Irish	110	−2	Q8.93	—	7.9	—
17	13	Ansbacher (H.) 5p	15¼	......	0.15	—	1.4	—
235	180	Arbuthnot L. £1	215	+3	11.0	—	7.6	—
360	280	Bk. Ireland £1	295	−5	Q23.51	—	7.7	—
£162	£134	Do. 10pc Conv.	£138	......	Q10%	—	†7.4	—
*8	5	Bk. Leumi $0.1	6	......	gQ11.4%	—	22.1	—
120	100	Bk. Leumi (UK) £1	120	......	8.57	—	10.7	—
178	135	Bk. N.S.W. $A1	142xd	......	Q16c	ϕ	5.8	ϕ

BANKS & HP—Continued

Hire Purchase, etc.

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Far West Rand

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O.F.S.

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Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

180	78½	Anglo-Dominion	145	+5	—	—	—
97	56	Barymin	57	......	—	—	—
17	12	Burma Mines 10p	15	......	0.62	1.1	6.[illegible]
502	320	Cons. Murch. 10c.	320	......	MQ100c	1.8	18.[illegible]
180	125	††Hemerdon 10c.	125	......	—	—	—
585	325	Northgate C$1	375	-5	—	—	—
485	327	R.T.Z.	420	-5	15.0	3.2	5.[illegible]
33	16	Robert Mines	23	-1	—	—	—
58	26	Sabina Inds. C$1	29	-1	—	—	—
51	44	††SWCM 10p	46	-3	—	—	—
650	411	Tara Exptn. $1	455	+10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ⊕ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	30	......	Conv. 9% '80/82	£89¾	......
Bertam	16	......	Nat. 9¾% 84/89	£80	......
Bdg'wtr. Est. 50p	415	......	Fin. 13% 97/02	£89⅞	......
Clover Croft	60	......	Alliance Gas	43	......
Craig & Rose £1	£10½	......	Arnott	345	......
Fife Forge	32½	......	Carroll (P.J.)	58xd	......
Finlay Pkg. 5p	18	......	Clondalkin	120	......
Graig Ship. £1	£15	......	Concrete Prods.	75	......
Higsons Brew	75	......	Helton (Hldgs.)	33	......
Holt (Jos) 25p	250	......	Ins. Corp.	245	......
I.O.M. Stm. £1	187	......	Irish Ropes	45	......
Pearce (C. H.)	455	......	Jacob	32	......
Peel Mills	40	......	T.M.G.	85	......
Sheff. Refrshmt	103	......	Unidare	98	-3
Sindall (Wm.)	143	......			

OPTIONS

3-month Call Rates

Industrials		I.C.I.	27	Utd. Drapery	6½
A. Brew	7	"Imps"	6½	Vickers	12
BOC Intl.	6	I.C.L.	14	Woolworths	5½
B.S.R.	4½	Inveresk	4		
Babcock	8	Ladbroke	15	**Property**	
Barclays Bank	34	Legal & Gen.	15	Brit. Land	7
Beecham	18	Lex Service	8	Cap. Counties	9
Blue Circle	25	Lloyds Bank	24	Land Secs.	24
Boots	16	"Lots"	3½	MEPC	17
Bowaters	15	London Brick	6	Peachey	13
B.A.T.	20	Lucas Inds.	27	Samuel Props.	12
Brown (J.)	6	"Mams"	14	Town & City	2
Burton 'A'	10	Mrks. & Spncr	8		
Cadburys	5½	Midland Bank	26	**Oils**	
Courtaulds	8	N.E.I.	5	Brit. Petroleum	32
Debenhams	8	Nat. West. Bank	27	Burmah Oil	28
Distillers	17	P & O Dfd.	10	Charterhall	18
Dunlop	7½	Plessey	14	KCA	11
Eagle Star	15	Racal Elect.	22	Premier	13
F.N.F.C.	2½	R.H.M.	4½	Shell	35
Gen. Accident	21	Rank Org.	15	Tricentrol	40
Gen. Electric	30	Reed Intnl.	16	Ultramar	35
Glaxo	18	Sears	5		
Grand Met.	12	Tesco	6	**Mines**	
G.U.S. 'A'	34	Thorn	23	Charter Cons.	14
Guardian	23	Trust Houses	12	Cons. Gold	40
G.K.N.	20	Tube Invest.	23	Lonrho	8
Hawker Sidd	25	Unilever	40	Rio T. Zinc	35
House of Fraser	15	U.D.T.	5½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 36

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES
Wednesday June 25 1980

RECESSION IN EUROPEAN CAR INDUSTRY DEEPENS

Ford's W. German profits fall

BY ROGER BOYES IN BONN

ANOTHER indication of the deepening recession in the European car industry came yesterday when Ford of West Germany said its net profit fell by 12 per cent last year and a further decline must be expected this year.

Herr Peter Weiher, chairman of Ford-Werke, said the company's problems stemmed from two main factors: acute competition from Japanese imports to Germany, and the impact of last year's oil supply problems, which led to a switch in demand away from large cars like Ford's Granada.

As a result, although Ford-Werke's sales rose slightly last year compared with 1978, from DM 10.5bn (£2.54bn) to DM 10.98bn (£2.65bn), the net profit fell by DM 66m (£15.9m) to DM 483m (£117m).

In the first four months of this year, Ford-Werke's sales were down 18 per cent, compared with the industry's 10 per cent average decline. However, although profits will be down again this year, Ford-Werke expects to stay in the black.

The news adds further gloom to the outlook for the company's parent group, which faces large losses on its North American operations this year and must rely on its overseas subsidiaries to redress the balance.

Ford-Werke's dependence on exports in sustaining turnover is clearly seen in the unit sales totals for both cars and commercial vehicles—more than 65 per cent of the 893,700 vehicles sold went to export markets. Ford of Germany is thus especially vulnerable to flagging demand in other European countries.

Ford of Britain is already registering slower demand for imported Fords—a development which will be painful for Ford-Werke's Granada sales.

In the longer-term, Herr Weiher believes the main threat to the company is Japanese competition on domestic and overseas markets. While supporting free market principles, he stressed some sort of joint action involving the Government, the motor industry and the trade unions would have to be taken.

He warned that the Japanese manufacturers, helped by the price competitiveness of a weak yen, might sell more than 250,000 cars in Germany this year compared with 60,000 three years ago. This would mean thousands of jobs lost to the German motor industry—not only to manufacturers but also to the supply and components industries, said Herr Weiher.

Ford-Werke has already put many employees at its Cologne plant on short-time. Opel, the General Motors unit in Germany, which has been similarly hit by Japanese competition and the shift to smaller models, is planning to phase out about 4,000 jobs from its Ruesselsheim plant.

Ford-Werke is trying to solve the capacity problems created by the sudden swing in demand by concentrating production of Escorts, which are in strong demand, in its Saarlouis plant.

All Ford Fiesta production will shift to the Cologne works and should stave off further short-time working, say Ford executives. Fiesta sales increased by 19.7 per cent last year while Granada sales fell by 22.7 per cent. Fiesta production will be stepped up this year at the expense of the Granada, but without any loss of jobs.

Kenneth Gooding, Motor Industry Correspondent, writes: In the UK yesterday Vauxhall, the General Motor's subsidiary, followed the lead Ford UK set earlier in the week by calling for volunteers for early retirement.

Vauxhall wants about 700 staff employees to take early retirement from September.

This would represent a cut of about 10 per cent in Vauxhall's 7,000 staff and is needed to "bring staff levels more into line with forward production," says the company.

Vauxhall wants volunteers from men over 55 or women over 50 who have more than 10 years' service.

About 1,200 staff employees are eligible, but Vauxhall said yesterday it wanted only 700 volunteers.

Most of Vauxhall's hourly-paid employees have just started the second week of a two-week lay-off. About 5,000 at the Luton and Ellesmere Port plants are affected because the cars and light van lines have shut down.

● Mr. James Waters, chairman of Opel, maintained the company would press ahead with its DM 1.5bn (£362m) investment programme this year in spite of the industry's problems.

"Seeing through our investments without cuts in West Germany is clear proof of our faith in the future economic development of Europe and its automobile markets," he said.

U.S. price increases stabilise

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

U.S. consumer prices rose by a seasonally adjusted 0.9 per cent in May, the same amount as in April and well below the 1.4 per cent average monthly advance recorded in the first quarter of this year.

A slowdown in the rate of retail price inflation has been generally expected and the increase in May would have been much smaller than 0.9 per cent but for a quirk in the compilation of statistics covering housing, one of the most important elements in the consumer price index.

Although interest rates fell very sharply last month, the index takes account of the rates at which mortgage transactions are actually made. There is a lag between these rates and those formally posted by such major housing institutions as the Federal housing and veterans administrations.

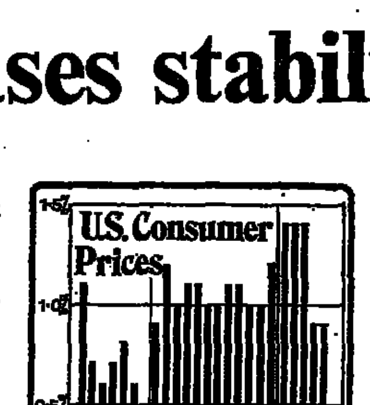
Thus, the May returns reflected interest rate levels prevalent before the money markets turned downwards, producing the odd result that the cost of housing contributed about three-quarters of the overall rise in the consumer price index.

This anomaly should correct itself in the next month or so. Many financial institutions, which, if they had been offering mortgages at all earlier this spring, were quoting rates in the 15-17 per cent range, are re-entering the lending market at closer to 12 per cent.

The 0.9 per cent advance in May brought the rise on 12 months before to 14.4 per cent and means that the March-May period saw consumer prices rising at a 13.6 per cent annual rate.

Assuming no reversal in interest rate trends and no further big jump in oil prices, Administration officials are confident that retail price inflation will be down to single-digit annual rates later in the summer.

But Mr. Alfred Kahn, President Jimmy Carter's inflation adviser, took pains yesterday to tell a Congressional committee that, in spite of this improvement, "I must caution there is still a long way to go" before inflation is brought under control.



That opinion received some backing from the staff of the International Monetary Fund, who forecast yesterday that U.S. consumer prices this year would probably go up by very close to the 13¼ per cent rate of 1979, before dropping markedly next year.

The IMF estimates, contained in its World Economic Outlook, published today, also foresee that the U.S. gross national product deflator, a broader measurement of inflation in the economy, will rise "modestly above" last year's 9 per cent increase, before settling back, assuming retention of current economic policies, to the 7½ per cent range in 1981.

But the IMF injected its own note of caution in advising that further progress in reducing inflation was contingent on avoiding "errors on the side of excess demand in an environment in which inflation has become deeply embedded."

This means that the IMF is concerned that the U.S. Administration will move to correct the current sharp recession through the stimulus of either higher government spending or tax cuts. Speculation about the latter of these two is rampant in Washington these days.

Yesterday, Mr Kahn was quoted as saying that a tax cut was "inevitable." With typical directness, he explained that headlines to this effect were "a perfect piece of non-news" since it was apparent to all that some relief would have to be provided to the economy in 1981.

Pessimism on inflation cure, Page 4

Chrysler rescue's final approval

By David Buchan in Washington and David Lascelles in New York

THE U.S. Government yesterday gave the final go-ahead for the biggest corporate bail-out in U.S. history, involving Government backing up to $1.5bn.

The ailing car company immediately issued $500m of Federally-guaranteed paper on Wall Street as the first step to obtain badly-needed cash.

Approval of the rescue package only came after last-minute delay caused by a dramatic fire in the New York skyscraper where all Chrysler's legal documents are stored.

The fire in a 42-storey office building on Park Avenue, was a final and ironic twist to the Chrysler saga, which has dragged on for months, and whose final outcome was constantly postponed because of lingering problems over the terms of the financial package.

The 10-year notes Chrysler issued yesterday carried a yield of 10.35 per cent, equivalent to that on high grade company bonds. But Chrysler would never have obtained this rate, indeed been admitted to the market, without Treasury guarantees. Because of this, the notes sold briskly.

Mr. Robert Carswell, Deputy Treasury Secretary, said yesterday's decisions in Washington, by the Chrysler Loan Guarantee Board, the government body set up to supervise the rescue, formally marked "a new beginning" for the company.

Negotiations for government help started almost exactly one year ago, and were protracted by the need to whip all of Chrysler's 400 financial creditors into line on accepting deferral of interest and principal payments on much of the company's $4bn debt.

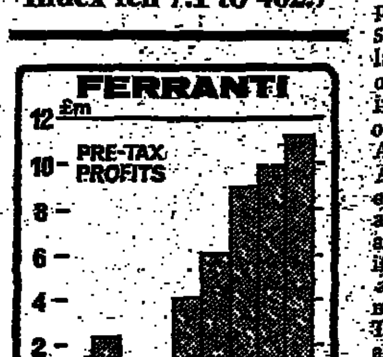
"We can now get on with the job of proving we deserve what we are receiving," Mr. Jerry Greenwell, a Chrysler executive vice-president, told the guarantee board. The company's hopes are chiefly pinned on the prospects for its new K-car, a smaller and more fuel efficient car, which will be on sale early this autumn.

Yesterday's decision by the guarantee board was held to reaffirm its agreement in principle on May 10 that the company was viable and that government help met the criteria laid down by Congress. Mr. Carswell said that since mid May, Chrysler's performance had deteriorated further, but this had been to some extent offset by further economies made by Chrysler.

THE LEX COLUMN

Why Ferranti won't wait

Index fell 7.1 to 462.7



Ferranti's £21m rights issue might seem provocative, given the imminent disposal of the National Enterprise Board's 50 per cent holding in the company. But the company can make a good case for raising the money now, rather than hanging around while its ownership is decided. And there is no particular reason why this issue should complicate the NEB's decision about whether to sell its shares to an individual bidder or — as the company would much prefer — to place them around the stock market.

Ferranti's balance sheet is in reasonable shape, with total debt of roughly £18m compared with shareholders' funds of £58m. But it is now expanding at a great rate. Capital spending of £19m is planned for 1980-81, which is well over twice the current cost depreciation charge, and extra capital will be needed to finance a big increase in its order books.

The historic cost return on capital employed is under 20 per cent before interest, and reported profits of £11.2m pre-tax would probably be cut in half by current cost accounting. But Ferranti hopes to raise its return on capital to around 25 per cent before too long, and its confidence is reflected in the forecast of a 74 per cent increase in the dividend this year. Labour relations permitting, its profits could rise by two-fifths in the current period.

The rights issue amounts to less than a fifth of the current market capitalisation, so Ferranti cannot be accused of unreasonably exploiting its recent strength of its share price. And it is at a deep discount, which cuts out needless underwriters' fees and also means that the NEB could—if it wanted—place its shares during the course of the issue without embarrassing anyone. Finally, none of the companies which could be interested in bidding for Ferranti are likely to be put off by having to pay £21m more for a business with £21m of new cash in its hands.

Wilkinson Match

Pre-tax profit of Wilkinson Match dropped 35 per cent to £12.4m in the first 12 months of its current 18-month accounting period (excluding the £1.6m profit on sales of Brazilian assets). The shares fell 9p yesterday to 113p. The promised indication that Wilkinson has finally embarked on the recovery path has, it seems, been delayed.

Sunglasses and shaving materials, which have performed progressively worse for the past five years, have turned in a £4m loss, two-thirds of this being in shaving products and most of that in the U.S. where Wilkinson has only 4 per cent of the market. Unwilling to invest alone in building market share, the group is looking for a partner. It also hopes to get better margins in this fiercely competitive business from a new, upgraded disposable razor. The rest of the loss is in sunglasses largely because of an unsuccessful German launch.

The matches and lighters division continues to carry the company although the new Scripto erasable disposable pen has helped bring about £1m turnaround in writing instruments. The shares yield 11.8 per cent if the second interim of 4.5p net is taken as a final, and the prospects for the next six months indicate nothing better.

Charter Consolidated

BP's approach to Selection Trust gives some extra topicality to the results of the reshaped Charter Consolidated, though in themselves the profit figures do not mean a great deal, being affected by the restructuring during the year. Pre-tax profits turn out to be £52.3m against £44.5m, with the contribution of industrial subsidiaries down a little, and investment income also slightly lower, but with a much larger contribution from associated companies such as Johnson Matthey.

Although the balance sheet is not yet available, some details of the new look in terms of geographical spread have been disclosed. In particular, of course, the sizeable African interests have largely disappeared, and just over half Charter's assets are in the UK and Europe. The other two main areas are North America and South East Asia/Australia with about a fifth each. Further investments and acquisitions in the three main areas would presumably follow if the BP offer went through and Charter were to collect maybe £100m for its Selection Trust stake. This would amount to nearly 50p a share against a share price of 193p and a pro forma adjusted net worth, as at last September, of 291p.

Clive Discount

Clive Discount's £2m rights issue—a two-for-five at 34p—is designed to make good part of the losses incurred in last autumn's disastrous mistake in gilt-edged. The problems wiped out something like two-thirds of Clive's true capital, although even now the company is not disclosing its true balance-sheet position.

An industrial company which tried to repair its losses in this fashion would get short shrift in the City, unless it could get a sympathetic hearing at Equity Capital for Industry. Clive's business remains too speculative for it to be able to make any sensible forecast for the current year, and on dividends all the company can promise is that normal payouts will be resumed "at the earliest opportunity consistent with the restoration of a satisfactory capital base." Yet the market has underwritten the rights issue, albeit at an ultra-cautious 29 per cent discount.

Perhaps the City likes to be kind to its own. But it would be astonishing if shareholders were to let this go through without asking why there has been no strengthening of the management, and without some assurances that in future Clive will control its risk exposure.

New taps

For gilt-edged jobbers Wedd and Owen to throw in the towel yesterday was not the kind of scene-setting the Government Broker might have wished for the tender issues of two new stocks this morning. Market opinion last night, however, was that there could still be sizeable applications for the long stock, Treasury 13 per cent 2000.

Insurers' losses at record

By Eric Short

BRITISH INSURANCE companies last year suffered an underwriting loss of £215.7m—the biggest ever and eight times larger than in 1978.

Exceptionally bad weather, inflation and over-capacity were to blame. The news is expected to intensify the pressure for substantial premium rate increases.

The results, announced yesterday by the British Insurance Association, reflected especially severe losses in fire and accident business. Motor underwriting losses in the UK were the worst since 1970, expressed as a percentage of premiums.

However, investment income earned by insurance companies last year was especially buoyant reflecting the high interest rates available worldwide.

It rose by nearly 20 per cent from £817m to £980m. But its strength failed to offset fully the underwriting setback. The net surplus of UK insurance companies in 1979 declined slightly from £790m in 1978 to £784m.

General insurance premium income last year rose by 7.8 per cent in sterling terms to £7.5bn.

Underwriting business suffered severely in both major operating countries — the UK and the U.S. Losses in the UK worsened from £19m in 1978 to £95.5m in 1979. In the U.S. underwriting turned from a £20.7m profit to a £19.3m loss. For operations in the rest of the world, losses climbed substantially from £35.6m in 1978 to £93.5m last year, although a few countries showed an improvement. Motor insurance maintaied its unprofitable pattern of recent years with losses amounting to £103.5m

Motor losses in the UK rose to £57.5m — the highest loss ever in cash terms.

The fire and accident account is normally an account with either a small underwriting profit or loss. But last year its underwriting losses exceeded those of the motor account, amounting to £104.8m compared with a loss of £1.3m in 1978.

Details Page 8

Libyan crude rise to $37 likely

BY RAY DAFTER, ENERGY EDITOR

LIBYA is expected to raise the price of its premium crude oil by 28 cents a barrel, to $37 a barrel from next Tuesday, July 1.

If it does so, it could be the first major oil producer to raise its rates to the new pricing ceiling set by the Organisation of Petroleum Exporting Countries in Algiers earlier this month.

No official announcement has been made. But Mr. Abdel-Salem Zoughar, the Libyan Oil Minister, was reported by Middle East Economic Survey, as saying that the country would raise the tariff of Zueitina, its highest-priced oil, from $36.72 to $37 a barrel on July 1. There would be corresponding increases for other grades of oil, he said.

OPEC set two marker levels for crude oil prices: $32 a barrel for oil out of the Persian Gulf—the type produced by Saudi Arabia—and $37 a barrel for African light crude.

Libya, regarded in the industry as one of OPEC's pricing hawks, last raised its prices by $2 a barrel on May 20—four days after a $1 a barrel increase imposed by Algeria, and two days before Nigeria added $2. The oil industry was waiting yesterday to see whether other African producers would follow Libya's lead.

Algeria already charges over the $37 a barrel ceiling. Its Saharan crude oil now costs $38.21, though this price includes a $3 a barrel refundable exploration fee. Buyers of Algerian oil have until September 30 to sign new exploration contracts which would entitle them to rebates.

The Libyan increase would only have a marginal impact on world oil prices. But consumers could face an average increase of at least $1 a barrel if all other OPEC members increased prices of their market crudes to the new ceilings.

That would add 1p to 1.5p a gallon to oil product prices. Much will depend on the attitude of Saudi Arabia, the world's major exporter, which is still charging $28 a barrel for its light crude—$4 below the OPEC ceiling for Gulf crudes.

Jobber stops trading after 122 years

BY CHRISTINE MOIR

WEDD AND OWEN, the gilts jobber, ceased trading yesterday morning after 122 years.

After talks with the Stock Exchange and other jobbers on Monday the dealing partners failed to man their pitches when the market opened. An hour later an announcement was made.

Two other jobbing firms, believed to be Wedd Durlacher Mordaunt and Akroyd and Smithers, have agreed to take over the firm's book positions, though whether at a loss is not known.

Wedd and Owen's withdrawal leaves only 17 jobbing firms trading, six of which make markets in gilts.

Last month Medwin and Lowy, a firm only five years younger than Wedd, effectively came to the same decision when it sought a merger with Wedd Durlacher.

Mr. John Spooner, senior partner of Wedd and Owen, blamed "the combined effects of ever increasing costs, the high cost of money and the volatility of the market" for its decision to cease trading. He said the firm had thought it prudent to make the move now after a successful year.

The six-partner firm, with a staff of 38, specialised in small deals in gilts, particularly in transactions involving private investors. It had a major share of this business, so its withdrawal could lead to a gap in this end of the market.

The major gilts jobbers have tended to concentrate on large institutional transactions. They admit it might be difficult for them to run private and institutional business in tandem.

Ferranti issue Continued from Page 1

An extraordinary charge of £5.2m had resulted from the closure of its transformer division last year.

The dividend has been increased to 6.9p per share, including a 4p final for which the new shares will not be elgible, from 5.8p. The board expects to recomend an effective increase of 74 per cent in the dividend this year.

Mr. Derek Alun-Jones, managing director, said the timing of Ferranti's rights issue was determined by its cash needs. "The Ferranti Board clearly felt that its duty was related to running the business."

During the past five years, it has financed capital investment out of internal cash flow from the proceeds of disposals and by borrowing and leasing.

It plans capital expenditure this year of £19m. With no major additional disposals planned the Board believed that an increase in equity capital was neded to finance the investment programme and to meet working capital requirements.

The bulk of the planned investment will be made in Ferranti's two main operations its computer division and its Scottish group which specialises in avionics and defence electronics.

The company intends to add new plant and install new equipment at its plants at Cwmbran, Gwent, and Bracknell, Berks., and to enlarge production capacity at factories in Wythenshawe and Cheadle Heath, both near Manchester, and in the Scottish group.

Weather

UK TODAY

SHOWERS and sunny intervals. Hail and Thunder in Eastern areas.

S.E., E., N., Central S. England, the Midlands and East Anglia

Showers. Heavy thunder in parts. Max. 17C (63F).

N.E. Scotland, Moray Firth, Orkney and Shetland

Showers or longer periods of rain. Max 13C (55F).

REST OF UK

Scattered showers. Sunny intervals. Max. 17C (63F).

Outlook: Sunny intervals with showers, heavy at times. Cool.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	22	72	Lisbon	F	22	72
Algiers	S	28	82	Locarno	C	18	64
Amsdm.	R	14	57	London	C	15	59
Athens	S	31	88	Luxmbg.	C	12	54
Bahrain	S	35	95	Luxor	S	37	99
Barclna.	F	21	70	Madrid	S	26	79
Beirut	S	27	81	Majorca	S	26	79
Belfast	R	13	55	Malaga	S	23	73
Belgrd.	S	31	88	Malta	S	26	79
Berlin	F	19	66	M'chstr.	C	13	55
Biarritz	C	17	63	Melbne.	S	12	54
Bmghm.	R	12	54	Milan	F	22	72
Blackpl.	S	15	59	Mntreal.	C	23	74
Bordx.	C	17	63	Moscow	F	26	79
Boulgn.	C	12	54	Munich	F	17	63
Bristol	F	16	61	Nairobi	C	20	68
Brussels	F	13	55	Naples	F	25	77
Budpst.	S	21	70	Nwcstl.	F	15	59
B. Aires	R	15	59	N. York	S	28	83
Cairo	S	24	93	Nice	F	22	72
Cardiff	R	13	55	Nicosia	S	28	82
Cape T.	C	16	60	Oporto	C	16	61
Chicago	S	22	72	Oslo	F	16	61
Cologne	C	16	61	Paris	R	13	55
Cpnhgn.	R	16	61	Perth	C	19	66
Corfu	S	30	86	Prague	F	20	68
Dublin	R	14	57	Reykjvk.	F	12	54
Dbrvnk.	S	25	77	Rhodes	S	29	84
Ednbgh.	S	15	59	Rio J'o	S	22	72
Faro	S	25	77	Rome	S	26	75
Florence	F	23	73	Salzbrg.	F	19	66
Frankft.	R	14	57	Singapr.	R	24	75
Funchal	C	23	73	Stckhm.	F	19	66
Geneva	C	16	61	Strasbg.	C	17	63
Gibrltr.	S	25	77	Sydney	S	16	60
Glasgow	F	16	61	Tangier	S	21	70
G'msey	F	14	47	Tehran	S	24	76
Helsinki	C	15	59	Tenerife	F	19	66
H. Kong	S	33	91	Tokyo	S	28	82
Innsbrk.	F	19	66	Toronto	S	27	80
Invrnss.	S	14	57	Tunis	S	29	84
I.o.Man	C	13	55	Valencia	S	27	81
Istanbul	S	27	81	Venice	F	21	70
Jersey	F	14	57	Vienna	S	20	68
Jo'burg	S	14	57	Warsaw	R	12	54
L. Pims.	F	22	72	Zurich	F	17	63

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

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